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**SOCIAL ASPECTS OF  
INDUSTRIAL PROBLEMS**



# **SOCIAL ASPECTS OF INDUSTRIAL PROBLEMS**

**BY**

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**TO  
W. E. W.**



## PREFACE

THIS book attempts to discuss certain important industrial problems in the light of a social standard. It does not try to exhaust all that might be said on each, but rather traces recent developments, and examines the probable social consequences of different policies. Lack of space has prevented the inclusion of many topics of great interest; but it was felt that those dealt with are the most essential to an understanding of modern industrial life.

Mrs. Reid, of Bedford College for Women, has read the whole book in MSS. and has prevented a number of inaccuracies and overstatements. The index has been compiled by my husband, who has also helped me in innumerable other ways.

G. W.

BEDFORD COLLEGE FOR WOMEN,  
UNIVERSITY OF LONDON.





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## CHAPTER I

### HUMAN VALUES IN ECONOMICS

THE aim of economics is to aid in social improvement; to investigate the forces governing the production, exchange and distribution of wealth in order to see how some interference with them—a weighting of one particular force or a more even balancing of several—will react on the volume and quality of goods produced and on the lives of the people. Students of economics are often repelled at the outset of their studies by the warning that they are dealing with “what is” and not with “what ought to be,” and forget that their science is only a means to an end. The future must be built out of the past and the present; and it is only by knowing “what is,” and by analysing the various conflicting and co-operating forces that have brought it into existence, that one can usefully formulate an ideal of what ought to be. The economist seeks to collect as many facts as possible of the way in which wealth is produced and consumed, and from an examination of them he tries to find the laws which have governed men’s actions. He looks to them to help him predict the probable effect of a proposed policy or the results of events which may

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not yet have occurred. But these are not laws in the ordinary meaning of the word ; they are rather *generalizations* of the observed tendencies of mankind, and are therefore relative to the stage of civilization and to the level of education that society has reached. It is impossible to claim for them the accuracy and precision of laws discovered in other scientific study. They depend on beings whose actions one cannot foretell, because they spring from motives which are calculable to only a slight degree. It is generally true, for example, that a man will work harder if a great incentive is offered him, than if he knows that an increase of effort will bring him no extra material advantage. But this is not true of all men ; nor need it necessarily be true of all time. A man who finds pleasure in the work itself—in the exercise of his craft, maybe—or who is fired by a zeal for humanity, may put forth his greatest effort without hope of reward ; and there is no reason to deny that a different organization of society might have such an educative effect as to make this motive for industry the rule.

Any social organization is the result of human actions and human wills. There is nothing inevitable about its development. Men may change it as they will, deliberately check its growth along one path, mould it into a new pattern. But economic generalizations are of value because they enable us to foretell with a certain amount of accuracy what effect such a deliberate remoulding is likely to have at least in one sphere, i.e. in the total quantity of wealth produced. The aim that

society sets before itself may be definitely non-economic, for example the development of rich and varied personality. It is still necessary to know what reactions the steps taken to secure that end will have on the wealth-producing capacity of the nation. For a certain amount of wealth is essential to mere existence, and, with qualifications, an increase in wealth generally means an increase in freedom, i.e. in freedom from the grinding necessity of wresting from nature the means of keeping alive, and in more opportunities for the cultivation of mental and spiritual faculties. It is possible to argue that full development of personality is incompatible with an economic organization based on soul-deadening mechanical production, and that the only hope of social well-being lies in the return to a simpler economy based on craftsmanship. Economic science cannot give judgment on the right or wrong of this view. All it can do is to show the price that would have to be paid, in the probable starvation of a vast number of people and in a very much lower standard of material comfort for those remaining. But the decision as to what shall take place rests with the members of the society themselves. There is no economic law that can prevent them from choosing the non-economic end at the expense of material wealth. Very often, however, the supporters of some particular theory of salvation claim for it not only spiritual power and beauty, but also the capacity of increasing wealth, and they blame the economist for what they consider his devotion to iron and inhuman principles, when he

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attempts to point out the confusion in their minds.

Economists, on the other hand, it must be admitted have sometimes tended to forget the incalculable power of all those forces one classes together as spiritual. They may be the result of enthusiasm for the precepts of some religion, or of the burning vision of an ideal social commonwealth. Whatever their origin, they have power to bring about a deep and lasting change in human nature, and materially to alter, therefore, the data on which economic laws are based. The economist must never forget to see men "in the round." Man produces wealth and must do so to live. But he also loves and hates, is stirred by visions of beauty, is made sullen and bitter by his wrongs; he loves his family and is prepared to do things for their sake that he would not do otherwise; he joins himself to his fellows in bonds forged by a common purpose, whether that purpose be the regeneration of mankind or the purchase of a football ground. All these various activities are not only as important as his desire and need to produce wealth, but react upon and affect his capacity to do so. It is therefore impossible adequately to study the laws governing wealth production without first learning something of the way in which a man functions as a whole; and though for the purposes of science it is necessary to separate part from part, the result of the analysis will be false unless the relations of the parts to one another are kept continually in mind.

The word "wealth" has been used already many times without definition. In no case is it more

imperative to remember man as a human being as opposed to man as a producing machine; than when seeking a true definition for this word. In pure economic theory there is no room for such considerations. From the economic standpoint one may roughly define wealth as anything which satisfies human wants and is at the same time limited in quantity, i.e. it is anything that people are not only anxious to have, but willing to sacrifice something to obtain. Air normally does not constitute wealth because, although it is essential to life, there is enough of it for everybody and no one therefore need pay to obtain supplies of it. But the men who were shut into the Black Hole of Calcutta would probably have been willing to pay handsomely for a stream of fresh air, which would thus have become wealth. Diamonds, although not necessary to the maintenance of life, constitute a large amount of wealth. People want them, either for their beauty, or more often to satisfy a love of display; and as the stones are very scarce, a large quantity of other goods must be sacrificed in exchange for them.

For an article to be considered as wealth no other than these two qualities are needed. Goods may be ugly or beautiful, harmful or nourishing; if they satisfy a want and are limited in quantity they are wealth. If brewers are enabled by an improvement in machinery to increase the production of beer, the fact that a greater consumption of alcohol will impair the physical efficiency and ruin the homes of those who drink to excess, does not prevent it from being regarded as an increase in wealth. The manu-



facture of munitions of war for which there is a demand is considered the production of wealth just as much as the erection of healthy and beautiful houses. In determining which of two articles is the greater in wealth, the test is the price at which they change hands.

But when we come to consider the word wealth from the human standpoint no such simple definition is possible. At this point we leave the sphere of pure economics and enter the wider one of ethics, for we are relating wealth to man as a whole, to the spiritual side of him as well as the physical. We are no longer dealing with simply "what is," but with "what is" in the light of "what ought to be," i.e. we are setting up a standard by which to judge. The nineteenth century lived in the comfortable belief that a kindly Providence had so arranged the world that human and economic needs and costs were identical. All that was necessary, therefore, in order to achieve communal happiness and prosperity was for each member of the community steadfastly to seek his own particular interest, with no thought for the effect of his action on others. If a man prospered, it was because the services he had rendered to humanity were considered by Society to be worth so much per year; if he failed, it was equally because his service was worthless.

The immense increase in the number of goods produced when industry became organized on the system of mass-production, so obsessed the imagination of all, that quantitative rather than qualitative standards were set up in every sphere of life. The

question became always "how much" pleasure instead of "what kind" of pleasure; "how many" articles rather than "what quality" of goods. And as it appeared incontrovertible to statesmen and economists that if men were left absolutely free self-interest would induce them to produce the greatest amount possible, it was thought unnecessary to push inquiries farther as to whether or not this greatest amount was of goods of which Society stood in greatest need. To-day, the day of the Trust, it is realized that even this quantitative justification is no longer existent; and that it may pay a group of men voluntarily to restrict the number of commodities produced, in order to sell the remainder at a higher price.

The *laissez-faire* theory—the belief that all is for the best in the best of all possible worlds—depends ultimately on two propositions which require some examination: (1) that labour and capital flow naturally to where they will be most productive; (2) that this is best for society as a whole. The industrial system as it was visualized by the theorists of the nineteenth century was a perfect arrangement by which as a result of the fight between conflicting forces, the fittest would survive. The only work of the organized community was to keep the field of battle clear and let the best man, the best idea, or the best process, win. But this perfectly working organization has never existed except in imagination. Those who believed in it took a dismal abstraction, which they named the economic man. They stripped from it all human attributes, and

imagining it in pursuit of wealth, tried to set down the laws that would govern its actions. They then assumed that the "economic man" was a typical member of society and that these therefore were the laws to which all men conformed in their efforts to make a livelihood. They forgot that to their abstraction they had given qualities which the average man does not possess. They had made him completely conscious of where his own highest prosperity lay and of the best way to reach it; they had given him adaptability to change from one route to another; and determination to put all else aside in the struggle for wealth. On the other hand, they had robbed him of other qualities, possessed by the normal man, such as interest in other things than the desire to grow rich, or a love of one special calling, despite resultant poverty. Supposing that our aim really is to attain the summit of individual, material prosperity, our lives are not spent in a series of delicate calculations as to how this may be done. Innate conservatism, dislike of change, of both occupation and locality—more important than these, ignorance of facilities offered in other modes of life, difficulties and expense of communications, lack of education, fear of the unknown—all prevent us both from knowing and from choosing the short cut to prosperity; while religious convictions, political interests, the varied aspects of home and family life, the purely spiritual rather than material considerations, all divert us from the necessary singleness of purpose.

But perhaps the greatest mistake of all was the

unwarrantable assumption that competition is the law of life. It was on competition that was to be founded the bridge from egoism to altruism, from the enlightened selfishness that was preached to the good of the whole that was hoped for as a result. Competition would ensure that each man produced as large a quantity and as good a quality of goods as was humanly possible, in order to attract the trade to himself; competition would ensure that the wants of mankind would be intelligently understood and immediately satisfied; that the best man would always come to the front to direct productive forces, that everybody would naturally find his level in the industrial world, etc. When in the second half of the nineteenth century began the growth of the Trust, which substituted for competition a form of limited co-operation in the sole interest of those co-operating, the glaring fallacies of the *laissez-faire* theory became more apparent. The bridge from egoism to altruism was found to be an illusion with no foundation in fact.

Before we can examine the truth of the two fundamental propositions of the *laissez-faire* theory it is essential to decide the exact significance of the words used. What, for instance, are we to understand by "productive"—productive of what? Is the word being used in its economic or its human sense?

There is a familiar-enough saying that a "man is not in business for his health." His aim is to do the best he can with the resources at his command. Imagine a man setting out at the beginning of his business life. Armed with so much capital, and

with the possibility of borrowing a certain amount more, having acquired more or less information during his adolescence and early manhood, with knowledge perhaps, because of his friends and relations, of certain trades and particular markets and sources of raw material, he looks around him for what seems the best opening for his talents. His job is to find some demand which as yet remains unsatisfied, or is not being catered for in the best way possible. He may even create a demand himself ; by skilful advertising he may persuade people that they have a want of which they have never before been conscious. A very large part of the work of the modern entrepreneur in industry consists of explaining to the public how dull or how dangerous or how narrow their lives have been, before he arose to point them the way to happiness. The fortunes earned by the proprietors of patent foods and patent medicines are largely the result of this ability to create a want, never before felt, or to persuade purchasers that the particular brand advertised would satisfy an old want better than anything else possibly could.

When our business man is choosing which demand already expressed he will attempt to satisfy, or which new one he will do his best to create, he naturally looks for the one in which he thinks his capital and energy will bring him in the greatest reward. To create a want is not enough ; a desire for an article does not constitute an economic demand—that does not occur until those who feel conscious of the want are willing to sacrifice something of value in order

to satisfy it. One of the tragic paradoxes of life is that as a result of the war there are millions of people in the direst poverty, eager to get to work but unable to do so for lack of machinery, transport, engines, etc. And yet those whose livelihood depends on the manufacture of such articles are out of work, because, they are told, there is no demand for the goods they are skilled to produce. However desperate the need, however intense the desire for goods, if one is too poor to be able to offer something of equal value in exchange, the need and the desire do not become an economic demand, and so remain unsatisfied. Thus not only is production governed by demand, but demand itself depends on the ability to sacrifice something wanted by others.

The business man goes into industry not primarily as a philanthropist, but to do the best he can for himself and those dependent on him. He therefore puts his capital and attracts labour into those channels which are most productive in the economic sense. But there is nothing to guarantee that these industries are necessarily the most desirable socially. The reverse is often true. At the end of the war, for example, the most crying need was for a tremendous speeding-up in the production of houses; but instead of labour and capital immediately turning its attention to the satisfaction of this want, a very large portion of the industry was engaged in "luxury building"—decorating and re-building the houses of the rich, erecting cinemas and palatial stores. A vast amount of economic wealth was created, but in measuring the productivity of this work from the

social point of view, one has to take into account not only the economic loss to the nation, owing to bad houses, the moral effects of over-crowding in the lowered standard of home life, the influence of sordid unlovely surroundings on the growing minds of the children, but also the effects both good and ill of the cinema or the store, upon those producing the goods and on those buying them.

The mistake of the *laissez-faire* theorists springs from thinking of money as expressing a definite amount of satisfaction, whoever the owner ; whereas in reality £1 represents a different amount of utility to each individual. Roughly it varies according to income. The normal man when laying out his income spends first on necessities, on shelter, warmth, food, clothing ; then on wants which are less urgent ; and last on comforts and luxuries. To the poor man whose income is never sufficient to provide fully for even the first category, the expenditure of £1 becomes a choice between two things, both of which seem almost equally essential. Should he spend it on buying the children good boots for the winter, so that they shall not get pneumonia walking to school on the wet days ? Or should he buy extra nourishing food to build up their strength to enable them to resist the attacks of disease ? The possession of another £1 would make it possible for him to do both, and it would be difficult to measure the amount of its utility to him.

The rich man also spends first on necessities ; but the amount he requires for these is such a small proportion of his whole income, that he can provide

himself with all he needs, almost without counting the cost, and has a surplus to spend on luxuries. So that when he considers the spending of another £1, the choice lies between two extra comforts, neither of which is essential or even important. If he had never possessed the last £1, the loss to his total happiness would be inappreciable.

This difference in wealth means that people of widely separated incomes think of prices and goods in different money units. The poor man thinks in pennies, the man of moderate means in shillings, the rich man thinks in pounds. Yet although the penny, the shilling, and the pound may each respectively represent the same amount of satisfaction to these three individuals, it is the owner of the £1—the man who is able to offer most in exchange for the goods he wants—who is able to get his wants satisfied first, and by so doing prevents the equal satisfaction of the wants of the others.

In any community at any time there is so much potential productive energy, and no more. It is limited by the number of people alive, by their health and efficiency, by their scientific and cultural education, by the natural resources at their command, etc., etc. All this energy flows into those channels in which its possessors see the greatest chance of gain, and it is natural, therefore, that the man who can offer £1 gets his wants attended to sooner than the man who can give only a shilling or a penny. The rich man's garden rest-house for which he offers £500 is a more attractive investment for capital and labour, than is the worker's house,



for which only £250 can be paid. Yet not only is the rich man's lesser need being satisfied at the expense of the poor man's greater one, but there results a definite loss in future productivity, because of the bad effect on the worker and his family of overcrowding and the lack of home life.

We have assumed so far that industrial activity always produces some wealth, and have discussed merely its measurement. There are cases, however, in which it detracts from rather than adds to the real wealth or welfare of society. Into this category one must put all the extensive trade ramifications of prostitution, the books and pictures that depend for their sale on an appeal to sensuality, intoxicating drinks which have no food value, etc. This energy is not only wasted at the time of producing these ills, but lessens the potential productivity of the community in the future. And, in measuring the extent of this non-wealth, or "illth" as Ruskin calls it, one must take into account not only the actual harm done in the production and consumption of it, but also the loss owing to the non-production of other goods, for which this mis-spent energy might otherwise have been used. Many very necessary things are not done because the demand for them, expressed in money terms, is not insistent, or because the work of production will have to start many years before satisfaction is felt. It is generally recognized, for instance, that afforestation projects are an essential to the future well-being of a country. There is no economic demand for it, because the advantage does not accrue to any one individual; forests take

a long time to develop and the ensuing benefit is to the community as a whole. It is only to the extent that society is conscious of itself as an entity, and immortal, re-flowering from generation to generation, that it endeavours by the use of public funds to use its productive energy in such a way for the benefit of posterity. Education is still most inadequately supplied because the economic demand for it, for various reasons, is small, and society has not yet learned to look upon it as an element in welfare.

Now what exactly is this standard that we are setting up and by which we are to judge the nature of the wealth produced? What do we mean by welfare? And how shall we define satisfaction when we have endowed it with ethical significance? The definition depends on one's view of the ideal society. Anything, then, which furthers this ideal is an element in welfare and contributes to this ethical satisfaction. There are possibly as many conceptions of ideal society as there are thinking people in the world; but although each varies in the details of construction, one can find an underlying principle common, at least, to the majority of them. Quite generally, we may put it, that the ultimate aim of society is towards the formation of an organic unity—a harmony in which the various sections of society are not simply, not in conflict with one another, but actually support each other, each part being incomplete without all the others. We should have, that is, a community in which each individual could reach his own highest development, not only without infringing the rights of others,

but only *because* those others were also reaching their full maturity. The result would be a harmonious blending of varied personalities, each of which depended for its own particular blossoming on the common ground in which all had root.

In economic terms the aim of industrial society is said to be—to maximize satisfaction and to minimize effort. But a false antithesis is continually being drawn between these two. The theory of value, for example, the central theme of economics, explains the way in which the two parties to a bargain come to agreement. On the one hand is the purchaser, willing to pay a certain sum, corresponding to the intensity of his desire for the article ; on the other, the producer demanding sufficient to recompense him for the work he has done in supplying the goods. The assumption is that all the cost is on one side, all the satisfaction on the other. But if by cost we mean anything that detracts from welfare, and by satisfaction everything that adds to it, it is evident that such a statement is altogether too sweeping. The act of producing is not always irksome ; it may be, and often is, a source of pleasure. A man has an instinctive desire to remodel his environment to suit himself ; he continually wishes to assert himself, to establish his identity by separating himself in some way from his surroundings. The origin of property is probably to be sought in this instinctive demand for a sphere of exclusive control, in which a man might give expression to his own individuality. The history of the early peoples shows that this self-expression was not divorced from utilitarian pursuits.

Everywhere is found a blend of the two, for example in the decoration of domestic utensils or of hunting weapons, etc. The early crafts were all associated with the necessary work of the household—pottery, building, clothes-making gave opportunities for the impulse to set the mark of personality on the common tasks of daily life. The pageantry of the gilds, the many old songs which tell of work done or doing, these testify to the inextricable weaving together of the artistic and social impulses with the activities of a more narrowly utilitarian nature. Wherever this relation is found, work cannot be conceived of as all cost; for if welfare consists in the highest development of socialized personality, then the opportunity to develop such a personality by giving it expression, must be reckoned an element in welfare.

In these days of mass production when the majority of people are engaged on a tiny specialized process in the manufacture of millions of articles of one pattern, there seems no possibility of satisfaction in work. But the normal healthy person finds a certain amount of pleasure in work itself, however monotonous and uninspiring it may be. The use of one's faculties is pleasing, even if is entailed nothing more than the exercise of attentiveness or a quick responsiveness to the needs of an automatic machine. Such pleasure lasts but a short time; it is killed by the monotony of the work and by the unchanging and therefore unnatural rhythm of movement. Other kinds of work afford varying scope. With the supreme artist the amount of real cost is negligible; the joy of creation is almost

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constantly experienced. Between this extreme on one side and the work of the minder of the automatic machine on the other, there are innumerable degrees, the proportion between cost and satisfaction varying as the scope for initiative and for the use of the creative faculty is wide or narrow.

But although the cost of producing an article may be overestimated by ignoring the element of pleasure in work, in very many cases the opposite happens. The business man when deciding how much to charge for his goods takes into consideration the price he pays for his machinery and raw material, and the wage that he gives to his employees. But this wage does not necessarily represent the real cost of work, measured in disutility to the worker, or the effect on future generations. It would be difficult accurately to estimate the true cost of all heavy work done by women either just before or just after childbirth ; or by children whose powers are being overtaxed and vitality sapped, or by those who should still be at school. The wage received by the employee falls far short of the real cost of work done under conditions which tend to either physical or moral degeneration (as still happens in so many factories). Cost in this sense is infinitely greater also when men are working unwillingly under a sense of oppression.

In exactly the same way that production is wrongly considered to be all cost, consumption is thought of as all satisfaction. But the same standard must be applied—to what extent does the consumption of such and such an article contribute to or detract

from welfare? Here at once one must recognize a very wide divergence of opinion. The vegetarian would probably look upon all the money and energy used in consuming flesh foods as so much waste, and a decrease by that amount of the satisfaction of the community. The No-Hat Brigade would have a similar opinion of all headgear. But without possessing any such decided prejudices, there are certain broad characteristics of modern society, and judgments consequent on them, which emerge from a general examination.

The organization of industry makes it difficult for a man to choose his occupation except within fairly narrow limits. Lack of capital, lack of education, lack of opportunity, ignorance of where to apply for special work, the possibility of being offered a job in a trade through parental or friendly influence, without thought to his inclination or suitability, all these mean that most people do not find in their work much scope for the expression and development of personality. One would have thought that this defect could be remedied in the way the payment for work is expended; that on this side of life at least there would be opportunities offered and freely taken for the exercise of choice. Yet actually very little advantage is taken of this chance. To judge from the goods bought, one must conclude that everybody is striving his utmost to be like everybody else. During the summer the papers were full of the fact that an Eastern potentate was enjoying a holiday at a Normandy watering-place. The life of the whole town revolved around him. Did the

Shah wear a soft hat, immediately the hatters were besieged by eager men demanding similar hats for themselves. If the Shah decided to sip sherry with his shrimps at twelve o'clock in the morning, all the other holiday-makers crowded the restaurants at that hour to do the same. This is typical of the whole of life. In every class of society men are haunted by the fear of making themselves conspicuous. Like a herd of sheep the whole community plays "follow my leader" and obediently changes *en masse* its tastes in dress, furniture, literature, music, and pictures. This desire to be like everybody else results in the formation of social conventions, any divergence from which is regarded almost as a crime.

There is some excuse for the lack of individuality in the purchases of the poorer members of society. The economy of producing articles on a large scale and therefore of one pattern, and the consequent cheapness in price, means that it is only articles produced in this way that are within the reach of those with small incomes. The largest part of the working-man's income must, it is true, be spent on food and shelter and other things which do not afford much scope for individuality; but even where this might be possible, the amount he is able to offer in exchange is so small that he must as a matter of fact accept almost anything that the producer puts forward at such a price. Thus houses, furniture, pictures, dresses, entertainments are all turned out for him in their thousands, of the same design.

But the fact that those whose incomes offer them more scope for choice are guilty of the same lack of initiative shows that amount of income alone does not determine the measure of individuality of choice. Very largely the blame must be laid at the door of the educational system, the aim of which seems to have been to put all children into the same mould, and turn them out with the "right" opinions. Recently the movement for fostering the natural variety of temperament and personality of children, of developing the inherent qualities rather than superimposing entirely new ones, has been growing much stronger. If it continues and gains in strength, it should have a real influence in changing the sameness of people's possessions and allowing men's different natures to be seen in the different goods they possess.

Unfortunately the demand for a particular class of goods does not always immediately have its effect in a supply of them. Men are organized hardly at all as consumers, whereas as producers their organization has been carried to a very high degree. As a result industry is almost entirely controlled by production. The consumers have only the power of the veto; they can refuse to buy. But their disorganized condition makes this veto effective only during moments of crisis. There have been examples of a "Housewives' Strike"—women refusing to buy milk or bread until the price is reduced—but such occurrences are rare. The producer can mostly foist on the public what articles and what styles he pleases, by creating a demand for them by advertisement. Thus many articles which the



man of taste' would certainly buy if they were on the market are not produced at all, or in such small numbers as to make their price prohibitive.

In all cases where men are using goods of poor design or bad quality, there is a very real element of cost in consumption. In many cases the cost outweighs the satisfaction. The traffic in sexual gratification and in drugs for other than medicinal purposes must both be placed in this category. And it is easy to think of innumerable instances of people spending their money on the purchase of temporary satisfaction when they might, for the same amount, have laid in for themselves a permanent store of happiness. Almost invariably it is the books of transitory value that are the best sellers; the trashy plays that draw the crowds, whilst the masterpieces are ignored. While Miss Dell or Mr. Hutchinson run into millions, Mr. James Joyce, of "Ulysses" fame, wanders in poverty abroad. The latest hit in society portrait painters flourishes when Mr. Nevinson is telling us of the artist's scrape to live. A pretty woman with neither voice nor wit performs five hundred times in a West End "piece," where Mr. Joseph Conrad "fails to attract."

In the consumption of goods a very large part is played by the "standard of living," i.e. by the customary purchases of the particular class; and it is often difficult for members of one class to estimate correctly the elements of pure cost and true satisfaction in the consumption of the members of another. It requires rare qualities of sympathy and understanding. Mr. J. A. Hobson points out

how much of the expenditure of the workers during the war was quite wrongly considered wasteful by members of other groups. The miners and munition workers were greatly condemned for what was criticized as wanton extravagance. Yet their purchases were often the result of a perfectly normal and right desire to express themselves, to separate themselves from the monotony of their ugly surroundings, from the drab uniformity of their neighbours. As such their expenditure cannot be considered altogether as waste.

In considering the various problems of industrial society this then is the standard to be applied. Whatever section of industry is under examination, on whatever legislation, past or projected, judgment is to be passed, the test is to be the effect on human life, i.e. on the welfare of the community. Economic science itself, it must be remembered, is only a means to an end. Social economics takes as its province, not only the principles on which industry works, but the application of ethical standards in the construction of a better society.

## CHAPTER II

### THE ORGANIZATION OF INDUSTRY : CAPITAL

#### I

THE industrial system is a vast complicated organization which has grown up to provide for the wants of the community—to produce the goods which people demand, and to transport them to the places in which they are wanted. At first sight the word “system” seems inappropriate, for industry appears a welter of chaos with neither reason nor method in it. There seem to be millions of individuals or groups of persons, all engaged on entirely unconnected processes of manufacture, with no relation to anything or anybody else. But if one takes the trouble to examine a little more closely one finds that these innumerable intricate operations do, in some way, fit in to one another. You find, for instance, that it is necessary to make a journey by rail, and, the memory of past boredom strong within you, you go to the station bookstall and choose a novel from those to be found there. You are not in the least surprised to find a book waiting there for you to buy, although you have told no

bookseller of your intention to travel on that particular morning. Yet consider the long series of events that has taken place to enable you to satisfy your demand. In the first place, somebody has actually thought out and written the story, and to do so has had to buy paper and pen, and presumably a desk and a chair. Thus several trades have already been requisitioned. The story, when complete, was sold to a publisher, who printed it on paper, which itself had previously been through many processes of manufacture, by the aid of machinery, the metal for which had been mined years before and had been treated in many ways before it finally emerged as a printing press. The book is bound by one set of people, transported by another (in vehicles each of which is itself the culmination of one of these long series of events), and finally finds its way to a station bookstall, in anticipation of the fact that you, or one like you, will have to travel from that station and to look for something to lighten your journey. Looking backward over what has gone on before the moment of buying the book, one finds an almost limitless network of trades and occupations intricately bound together. But one cannot simplify matters by classing all these activities together as part of the book trade. For in every case, except during the last few stages of production, the various trades that have been called in to aid in the production of a book are at the same time and in the same way related to a large number of other industries. The paper factories sell not only to book publishers, but to newspaper proprietors, to retail

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shops for wrapping up customers' purchases, to Education authorities for use in schools, to clubs for notepaper on which "Irate Taxpayer" writes to the Press that Education is a waste, etc. The same company which supplied the metal for the machinery, the same skilled labour that fashioned it, also produce all different types of work to suit the requirements of other factories. One finds ultimately that there are a few big industries, those engaged in the working of natural resources, which are the starting point of all others. At each stage of manufacture the raw material gets a little more specialized until finally it emerges as one specific article. In this way all the parts of the industrial world are more or less intimately related to one another, and just as a stone thrown into a pond causes ripples to appear at the edge of the water, so the derangement of any one part of the industrial machine makes its influence felt, however slightly, in remote parts that seem at first quite unconnected.

When industry is functioning normally the unimaginative are unaware of the complex organization of which they form a part. It requires a great crisis—a European war or a national strike in an important industry such as mining or transport—for them suddenly to become conscious of the fact that a business is not an isolated unit, but is dependent for its life on the healthy condition, not only of other trades in their own country, but of trade all over the world. For although the industrial system is in reality a world-wide co-operative undertaking, the consciousness of co-operation has been

lost. In the simple economic system of pre-Industrial Revolution days, the relation between different processes of industry was more apparent. When men worked in their own homes or in small groups for a local market, it was not difficult to see the connection between their work and that of the others. Each district was, more or less, an industrial unit. But the introduction of steam-power and labour-saving machinery resulted in the erection of huge factories manned by thousands of workers, dependent on one distant part of the world for their raw material and on another for their market. Now, the grouping together of a large number of workers under one roof ought, one would imagine, to make evident the co-operative basis of the new industry. Exactly the reverse is the case. Large-scale production is advantageous because it makes possible the division of labour and opens the door to all the economies of specialization. As workers, firms, and industries themselves become more and more highly specialized their co-operative relation with all other workers, firms, and industries becomes more important but less obvious. For work is no longer directly related to wants. Instead of producing articles the need for which is evident, a man spends his life in repeating one operation (if he is an employee) or in directing one stage in the manufacture of an article, such as spinning or mining (if he is an employer). So that the price he receives for the service he is rendering becomes a matter of much greater concern than the part which his services play in producing the finished article, or than the cir-

cumstances on which the demand for that article depends.

After the Industrial Revolution the factory owned by a private capitalist became the typical business unit. The employer performed a double function ; he gave forth the directive ability, i.e. decided the policy of the firm and was responsible for its execution, and he also provided the capital, either from his own stock or by inducing others to lend him theirs for interest. But the second half of the last century saw a great change as the joint-stock company gradually ousted the private business from the place it had previously held. It is a very general idea, and as erroneous as it is general, that the Industrial Revolution took place once and for ever between the years 1750 and 1830. But the revolution in business method and organization that began in the middle of the last century, though perhaps not so dramatic nor so catastrophic in its effect, has had influences as far-reaching and profound as those of the earlier transformation.

The cause of this change was twofold. The second half of the nineteenth century saw a very great development in communication. Railways opened up the interior of continents, steamships linked continents together, and these two resulted in the substitution of a world-economy for a national. The opening up of new resources and new markets created a necessity for very large capital, larger than could be provided by one man or group of partners ; and therefore there arose the need to appeal to those with surplus capital to invest. At the same time, as

the necessity for larger capital made itself felt, there was emerging a class of people made rich by the new industry and with quantities of idle wealth for which they were anxious to find a profitable use. It is difficult to say which cause played the more important part—whether those with surplus capital seeking investments stimulated the opening up of the new markets, or whether the existence of the new resources and markets called forth the supply of new capital. Each probably reacted upon the other and the two coming together made possible the great development in joint-stock companies which is the principal characteristic of later nineteenth-century commercial and industrial life.

Yet despite the almost phenomenal increase in this type of business organization, a very large part of the world's trade is still carried on by the private business ; and it will be well here to compare the two, to find what part each has to play and where one must draw the line of separation between them. In the private business there is one man (or small group of partners) to whom the business belongs and whom one calls " the employer." His work is to organize the firm ; to attract labour and capital to himself by promising a certain remuneration ; to discover the best places from which to procure raw material and the best market in which to sell. He decides when to push out into new directions or when to contract. He may not perform all these functions personally, but it is he who exerts a general supervision over those performing the specialists' jobs, and it is he on whom the work of



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settling the policy of the firm depends. For it is the employer who bears the risk. Those who lent him money and those who gave their work have contracted to receive from him, periodically, a more or less definite remuneration. He himself has no such assurance. His profits depend on the surplus he can make out of his selling price, after making all these payments ; and he will therefore, if he wishes to make a living, be on the alert for opportunities to increase his surplus by economizing his expenses or by adding to his sales.

In the joint-stock business there is no one person to whom the name " employer " can rightly be applied. The business is owned by the shareholders who may number many hundreds. The work of organization and direction is done by salaried officials, and although nominally the shareholders have the right to criticize or to change the policy, this privilege is rarely exercised. For the owners are entirely unknown to one another and meet, if at all, only at the annual general meetings of the company. It is, therefore, difficult for them to engage in any joint action, or even to know much of the details of the business that, in theory, they control. The limitations of the joint-stock company are evidently those of human nature. As men are generally not so alert in the interests of another as they are in their own, a business which depends largely for its prosperity on the directive ability of those in authority will not be as suitable for joint stock as will one where the work is mainly routine. In an industry which is still in the experimental

stage, or which caters for a quickly changing market, the necessity for quickness of decision and action, for adaptability and for intelligent anticipation results in the predominance of the private business. Where, again, the goodwill of the firm lies in the reputation and personality of the head, as for example so often it does in dressmaking establishments or in firms supplying artistic decoration; or where to standardize the work is impossible owing to continually changing circumstances, as with agriculture—joint stock is rare. But this type of business is found where the experimental stage is over, where the main lines of the industry are laid down and where no very quick change of policy is essential.<sup>1</sup> As human wants are insatiable (for as soon as one is satisfied another makes itself felt), and there will always be, therefore, certain industries in the experimental stage, it is unlikely that the private business will ever totally disappear. But in those industries to which the joint-stock firm is suitable it has undoubtedly great advantages. The very large capital that can be accumulated by hundreds of small investors makes possible the

<sup>1</sup> Prof. G. W. Daniels points out that in the cotton industry of Lancashire the different spheres of the private business and the joint-stock company are well exemplified. In 1911 less than 16 per cent. of the spinning firms were private concerns and nearly 48 per cent. of the weaving concerns were still in private hands. The spinning side of the industry allows of a high degree of specialization and the market for yarn is fairly stable. On the weaving side it is in "the districts which produce for the comparatively stable Eastern markets that the joint-stock firm tends to predominate. In other districts where production is carried on for more changeable markets it is still greatly out-numbered by the private concern."—*Industrial Outlook*.

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organization of business on a larger scale than is usually attained when one man is responsible for all. All the economies of large-scale production can then be introduced. The larger the firm, the greater the degree of specialization ; for the larger the firm the easier it is for the specialized man and the specialized machine to be continually employed. The larger firm has the advantage in marketing, in advertising, in transport, in buying in large quantities, in the greater use of its by-products, in the organization and supervision of its employees and in many other ways.

It is the special function of the employer to bear the risk of the business ; and where this risk is spread over several hundreds none of them feels it to be very burdensome. Since the passing of the Limited Liability Acts of 1855 and 1862 a shareholder is liable for the debts of his firm only to the extent of his holding. The attractiveness of such an investment means that it is easier for joint-stock companies than for private businesses to get capital for new enterprises, because the subscribers are risking only a portion of their fortunes. And the facts that any amount, however small, can be invested, and that the capital can be easily liquidated if the owner wishes to use it in some other way, again add to its advantages.

Yet the very ease with which capital may be invested and withdrawn is a drawback when looked at from the social rather than the commercial point of view. When a man has only a small portion of his wealth invested in an undertaking, and that

perhaps only temporarily, it is natural that he should not feel in its working as keen an interest as the man whose whole livelihood depends on its success. His interest begins and ends with the amount of dividend he receives on his share. It would be wrong to stress unduly the difference between private businesses and joint-stock companies in their respective relations with their employees. Both are now generally so big that in neither case is it possible to maintain a personal relation between owner and worker. The days are long past when the master lived surrounded by his hands and knew each one of them by name. However intolerable the conditions under which the workers then lived, however harsh the treatment meted out to them, they were forced to admit that the employer had a place in the industrial world. And even if the difference in the work done by them and that done by him was not sufficient to warrant the gulf between their incomes, yet they felt that his was not entirely unearned. It came to him by dint of hard work and dogged perseverance. But even now when the private business man is unable to distinguish individually each of his thousands of workers and never comes into contact with them, the knowledge that it is he who is directing the firm and organizing its policy is enough to make the workers grant him the right to a certain remuneration. But with the joint-stock companies this justification does not exist. The workers feel resentment because they believe that they are working to produce profits for a body of people who do nothing to earn them and

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who have not the slightest interest in the firm except as a money-making concern. They feel that their lives, and the conditions under which they work, are of no importance to the owners of the business, who subordinate all else to a passion for profits. Shareholders are not alone in their capacity for taking without giving; they form one section of the great body of those who enjoy larger or smaller incomes by virtue of possessing rather than of doing. But the economic and social history of the last seventy years has been such that they have come to typify that section of the community whose main interest in industry has been to increase its capacity for producing profits rather than anything necessarily of value.

## II

The same forces which worked together to hasten the development of joint-stock companies resulted in a still further step being taken in capitalist organization—the joining together of businesses in varying types of associations and amalgamations. The railways and steamships, by widening the area from which raw materials might be drawn and in which goods might be sold, not only inspired the creation of businesses on the big scale, but also vastly increased the area of competition. For instance, before the opening up of the world as one market, England depended on herself for all perishable commodities; but after 1870 began the wholesale import of meat, butter, eggs and fruit, so that the British farmer had

to compete with all parts of the world for the English trade. In the earlier part of the nineteenth century the country housewife still depended largely on the periodic fairs and markets in order to replenish her stores. As the country districts became linked up by rail, the necessity for this gradually disappeared. She could buy daily or weekly what she required from the local shopkeeper, whose stores could be ordered by telephone and sent quickly by rail. And as communication grew speedier and cheaper the area of effective competition of the local shopkeepers, too, widened considerably. Motor fleets from the big towns compete for the trade of the outlying districts, and goods ordered by post and sent "carriage paid" offer the purchaser a wider choice and quicker delivery, maybe, than can be obtained from the local dealers. "It is possible for a woman in an outlying country district of Cornwall to shop by catalogue with ease in either Manchester, London or Paris." <sup>1</sup>

The railways and steamships, the telephone and postal services broke down the barriers which difficulties of transport had put between different areas, and made for a keener competition not only within one country but also internationally. The excessive rivalry which resulted from a widening of the market had its natural result. Men grew tired of cutting their prices in the attempt to oust a trade rival, and agreed to come together to limit their spheres of action in their joint interest. The

<sup>1</sup> Prof. Mrs. L. Knowles, *Industrial and Commercial Revolutions of Nineteenth Century*.

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tendency towards combination of firms is largely the consequence of the continual price-cutting by firms each anxious to get a bigger share of the trade. The American Industrial Commission in its Preliminary Report on Trusts said :—

“ Among the causes which have led to the formation of industrial combinations, most of the witnesses were of opinion that competition so vigorous that profits of nearly all competing establishments were destroyed is to be given first place.”

The same cause is again assigned first place in the Report of the Committee on Trusts (Cd. 9236, 1919) :

“ Co-operation began among the manufacturers only after a period of severe depression and acute competition.”

“ There had been a period of very keen competition, with the result that most manufacturers were making little, if any profit. Many were practically ruined. It was thought that if the existing works were bought up by a company the trade would be placed on a more stable basis.”

“ Its immediate object was the removal of price-cutting which rendered unprofitable practically the entire industry.”<sup>1</sup>

For this reason, then, and for other advantages which were seen to accrue to associated firms the history of the last twenty to thirty years has been one of a steady transition from competition to combination in all the big industries.

“ We find that there is at the present time in every important branch of industry in the United Kingdom

<sup>1</sup> Cd. 9236.

an increasing tendency to the formation of Trade Associations and Combines, having for their purpose the restriction of competition and the control of prices."

" . . . there are few corners of British industry in which some kind of trade association is not to be found and some of them can show a thoroughness of organization not easily surpassed."

Industrial combinations can be divided into two classes—terminable and permanent. Of the terminable associations there are again many degrees of extent, scope and organization. Such a combination is based on a contract, not necessarily written or formal, for the attainment of specific purposes. The simplest type is that known as the " gentlemen's agreement," which occurs when a number of traders meet from time to time to settle prices, output, etc. The agreement between them is purely verbal and depends entirely on the good faith of those making it. But such an one is generally (though not invariably) limited in its scope, as it is difficult for other than local traders to come to such an agreement. It is more usual to form a properly constituted association, with officers, subscriptions and carefully drawn-up rules, the infringement of which is penalized by a fine. Some such associations settle the terms on which business shall be done, the discounts, the terms of credit, the charge made for packing and transport, etc. In other cases the price at which goods shall be sold is determined; or some try to prevent over-production by regulating the amount to be produced by each firm or by agreeing to divide out amongst themselves the home and foreign



markets. The agreement to regulate output almost invariably follows on the formation of a Price Association. For the latter, by fixing prices at something higher than could have been obtained under competition, stimulates greater production, which cannot be got rid of by lowering prices without breaking the rules of the Association. A glut ensues and probably a temporary agreement to stop production until the surplus has been absorbed by the demand. But naturally the reasonable step of preventing over-production is next taken and leads to Associations for regulating the output generally. The more highly organized association which attempts to exert continuous control over production is that known as the pool or syndicate. The percentage of the total output that each member of the Association has been in the habit of producing is determined by a qualified accountant, and each then pledges himself not to overstep this mark. Periodically the books of each member are inspected and those who have produced more than their quota pay an agreed fine into the "pool"; whilst those who have fallen short receive agreed compensation. The weakness of such an arrangement is that firms do not remain static; some increase in productive capacity, others decline. The pool, however, tends to stereotype the industry, fixing it as it was when the agreement was made, and those whose power is on the increase naturally demand to be allowed to produce a larger percentage. In some cases it pays a weak firm to give up business altogether and draw compensation from the pool, whilst a strong

firm takes over its share and pays the appropriate fine.

" . . . It was a law of progress that the inefficient should go, but in practice progress was impeded because he would not go and so instead of trying to kill him they had decided it was better to pension him off, since that cost far less. If the inefficient man, who used to struggle to do 3 per cent. of the trade, likes to content himself with doing  $1\frac{1}{2}$  per cent., or none at all, the difference goes to the more efficient man, who, working more economically, can well afford to pay into the pool from which the inefficient man can draw compensation." <sup>1</sup>

In another type of association the temptation to produce more than one's allotted share is removed by the whole business of selling being taken out of the hands of the individual firms and given to a special department of the joint body. All that is produced is sold to this department at an agreed price, and is then sold by them in the market for whatever price the state of trade allows. The profit is distributed according to the percentage of output allotted, whilst any price received above the one agreed upon goes to the member whose product is sold. Sales Associations of this type, or Kartells as they are more commonly called, are found mainly in Germany. In England it is unusual to find one of such a high degree of organization. The nearest approach is found in those trades in which work is undertaken on contract as, e.g., building, engineering, etc. Here it is usual for manufacturers to agree on the tender price, the firm

<sup>1</sup> Cd. 9236.

which gets the contract paying an agreed percentage to the others as compensation.

The main characteristic of the terminable association is that the members remain entirely separate except for the one or two purposes for which the association is formed. Each firm retains complete ~~control~~ over its own internal organization, over the buying of its raw material, and over the methods of production. They combine to procure a higher price or make sure of a market, and if the association comes to an end (as so often happens through internal bickering and jealousy), each is able to, resume its own industry and continue as before. They are, therefore, unable to take advantage of any of the possible economies which, normally, co-operation makes possible. They result, that is, in a continuance of the wastes of competition, without any of its advantages. The wasteful duplication of activity and plant, the lack of standardization of machinery, the difficulty, because of expense, of scrapping obsolete tools, the necessity for transporting in small quantities and carrying separate stocks, all these remain, and the only thing which justifies them, i.e. the protection of the consumer through the rivalry of the producers, is removed. The fear that the association may at any time break up owing to internal dissensions tempts the members to put prices high, in order to make as much profit as possible in the time at their command; and the consumer is thus penalized for the lack of organization and bad management of the producers. From the point of view of the community there

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seems to be only one advantage to be gained from terminable combinations. The regulation of output does to a certain extent prevent over-production and a glutting of the market, and consequently tends to keep both trade and employment steadier than they would be under perfectly free competition. But the price paid for this advantage seems excessively high.

The permanent combination is quite different in nature and characteristics from the type that has just been described. It is formed by the union of several firms which, heretofore financially separate, no longer remain so, but merge themselves together under some central body. This merging may take place in several ways ; the companies may remain nominally separate for the sake of using well-known names and trade-marks, but are actually the property of a holding company which controls their policy, prices, etc. In other cases the amalgamation takes place by one firm buying up its rivals, or by two or more companies exchanging a sufficient number of their shares to give interdirectorial control.

The "trust" form of combination, which has now given its name to all permanent associations, was invented by Mr. Rockefeller and his colleagues of the oil industry. The largest shareholders of a number of oil-refining concerns deposited their shares with trustees, receiving from them in return trust certificates. The original owners then retired from active participation in the industry, which was entirely controlled by the trustees, who distributed

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whatever profits they made in dividends on the trust certificates. Thus was the famous Standard Oil Trust formed, and its example was quickly followed in other industries. Later this device was declared illegal by the United States Government and the companies reverted for a time to individual ownership. In most cases where a trust had been formed the usual step, on being declared illegal, was to sell out to a new company and it was soon easy to circumvent the anti-trust laws. Whatever the process of formation, the result is the same—the complete sinking of the identity of the amalgamating firms into that of a new body.

The ruling motive for the associations of all types that have so far been considered has been the suppression of competition. But an examination of the permanent combine or trust shows the existence of a second reason for co-operation between firms. When businesses come together only temporarily to control prices or output or markets, the number who can combine effectively is limited. It is restricted to those who are all in the same line of business, for only so is there a common product the price of which can be agreed upon. But if the union is to be permanent, besides this "horizontal" form of combination, another, the "vertical," also becomes possible. The object of this second type is not simply to suppress competition in the supply of one commodity or service, but to concentrate under one control all processes of production, from the extraction of the raw material to the sale of the finished product. In this way the main unit

is strengthened by the absorption of all intermediate and collateral profits.

" Thus when Lord Northcliffe, the proprietor of the *Daily Mail*, purchased *The Times*, he was effecting a horizontal combination in the newspaper world ; but when Lord Northcliffe either bought or set up paper mills in Newfoundland he was bringing about a vertical structure of industry." <sup>1</sup>

This form of combination is found mainly in the iron and steel industries, where the coal mines, supplies of iron ore, blast furnaces, steel mills and other works are often found under the same management. The United States Steel Corporation with a capital of £369,000,000 is the most conspicuous example of vertical and horizontal combination together. It was formed in 1901 to acquire control of eight great companies, each of which was in itself the result of the merging of many firms. As a result this corporation owns great steel plants, coal and iron mines, railroads and lake steamships, and has large interests in gas and water companies. It has branches all over the world and maintains warehouses at all points important for its foreign trade. In 1912, a year of special investigation in the United States, it did between 80 per cent. and 90 per cent. of the total foreign business in iron and steel of the country.

The movement towards trustification was originally not as strong in England as in America ; for English industrialists are famed for being both conservative

<sup>1</sup> *Labour and Capital in the Engineering Trades.* Labour Research Department.

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and individualistic. But the success of amalgamations in the United States gradually impelled the English to follow suit; and since 1900 the movement towards combination has been rapidly gaining ground. This tendency was given tremendous impetus during the war. In many cases associations were formed as the result of advisory committees which had been called together to help in the rationing of raw materials, or when it had been found necessary for the Government to consult the most informed opinion in the trade. Having formed the habit of consultation in matters of joint concern, many disbanded advisory committees reunited as Price Associations or as permanent groupings. Many industries also learned during the war the advantages of standardizing machinery and processes; and although it is possible to get this without complete amalgamation, it is infinitely more difficult. Undoubtedly the Excess Profits Duty did much to speed up the movement towards combination. Many firms which had made high profits bought up their weaker brethren, and thus put into "cold storage" money which would otherwise have had to be paid to the Exchequer. It seems unlikely that the movement will slacken pace, even though the special circumstances of war-time no longer exist. The advantages which accrue to the members of a trust were so successfully demonstrated during and immediately after the war that the tendency of the future will be probably towards a continual tightening of control, towards a more efficient merging of one firm into another.

The advantages enjoyed by a trust are those of large-scale production carried to its extreme. One of the chief difficulties of any large concern is to make sure of its supplies of raw materials. Vertical combination gets over this at once by producing for itself all that it requires. Big stores set up their own factories, have their own farms, their own tea plantations, their own transport agencies, etc. The largest soap combine in England has developed various parts of the world for oil-bearing nuts and seeds ; and so on. But even where horizontal rather than vertical combination has taken place the trust has still the advantage—by buying in large quantities, by avoiding middle-men, by enjoying better credit than can a smaller firm whose business, being competitive, is less secure. More particularly on the selling side does the combine enjoy privileges which are not given to freely competing firms, however large. It often happens that a firm in the south regularly supplies goods to customers in the north, despite the fact that the same goods could be equally well obtained nearer home. Ignorance or long business relationship accounts for this wasteful arrangement. When the supplying firms are joined, the order, with whichever branch it is originally placed, can be executed by the one nearest to the customer to whom the goods have to be sent, and transport charges are thereby saved. Again, despite the ease of communication, a great deal of negotiation depends for its success on the personal factor ; and it is only a wealthy concern that can afford to maintain its own representatives in other



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countries. Not only is the export trade increased by the use of these highly trained salesmen, but these representatives are able also to acquire knowledge of sources of raw materials and get in touch with supplies previously closed to them. A very great saving, too, can be made in the publicity department; the need for the wasteful and expensive advertising, designed to make the public buy from one firm in preference to the others, disappears, and only so much need be spent as is required to keep knowledge of the type of goods produced before the public.

Generally, however, the greatest economies of all are to be found in the manufacturing process itself. When firms have amalgamated it is easy for them to standardize their machinery and patterns. In this way repairs become a matter of much less costliness, for any part that is damaged can be replaced without returning the whole machine to the original maker. And the machinery itself can be produced very much more cheaply, because the maker, too, can standardize his work without the necessity of continually resetting his tools for different specifications. The combine can save greatly by specializing still further amongst its component firms. Instead of each trying to supply several branches of the trade, its activities are narrowed down so that it is able to produce one or two things much more efficiently and economically. And even where greater specialization along these lines is not possible, saving can be effected by the more equal distribution of the work of the industry. Quite frequently, when firms are competing, one has a

glut of orders and is working overtime, whilst another is able to keep open only a few days a week ; or a period of good trade may have attracted into the industry a larger number of firms than the trade can normally bear. A trust can apportion out its orders equally over all its factories, and can effect great permanent saving by shutting down entirely those works for which there is not sufficient use. When the Whisky Trust of America was formed, forty-eight of the sixty factories were closed down and the whole of the trade supplied from the remaining twelve. Many of the largest combines spend huge sums freely on their experimental departments ; and, by setting up a central bureau of information regarding the technical details of the industry, are able to ensure that all the constituent firms have access to the best advice.

Not all trusts are capable of taking advantage of these opportunities for more economical and efficient working. They suffer from the limitations of all very large concerns in that they are only suitable to the industry that can be greatly routinized. Yet there is a limit to routinization ; there comes a point where everything depends on the initiative and resourcefulness of those in authority. The trust, by its very size and power, calls for super-men of extraordinary organizing ability ; and as such men are rare it is by no means all the combines which distinguish themselves by their efforts to eliminate waste. It is much easier for them to secure their end of higher profits by restricting output and raising prices.

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But the power of the trust in this respect is not absolute. It is very rare for a combine to include every firm in the industry; a control of between 70 per cent. and 80 per cent. of the trade is deemed sufficient in most cases to give an effective monopoly. There is always danger for the monopolists, therefore, that if their prices are very high, the uncontrolled firms will make a bid for the trade by undercutting them. This is less likely to happen if the nature of the industry is such that a very large initial expenditure on plant is required. For then only those with command over large capital could enter into competition, and even these would probably soon amalgamate with the trust. But in other cases it acts as a very real check on the power of the combine to raise prices, since the beginning of such a rivalry means either that the monopolists will have to engage in a conflict of price-cutting and sell even at a loss until their competitors are killed, or else that they will have to try to buy them out, probably at a price much above their real value. So that it pays to forgo the highest level of profits in order not to tempt too many others to steal custom from them.

Not only has the monopolist to consider the possibilities of competition within his own industry, but he must remember that, if his prices become too high, people will endeavour to find substitutes and that other industries will strive their utmost to supply the need at a lower price. Thus if the price of gas reaches an exorbitant level, it may pay builders to instal electric light and power as an

added attraction to their houses ; or householders may decide to have oil stoves in their rooms instead of putting in gas fires. An example of this competition between trades was seen during the coal strike of 1921. When the supplies of coal ran short many factories and ships instituted plant to use oil as fuel, but later, when coal was again obtainable, oil was thought to be more expensive, and the plant has in many cases been scrapped. If, however, the price of coal rose to any considerable extent whilst the price of oil remained constant, it is likely that a large number of firms would turn their attention to experiments with the aim of finding the most suitable way of using oil as cheap fuel. For this reason most large monopolists try to get control not only of all competing firms which supply the same article, but also of those which either do, or might in the future, supply substitutes. The American Meat Trust, whose activities were investigated in 1918, is an amazing example of the extent of the ramifications of a close concern controlling enormous capital. This trust is composed of five meat-packing corporations, known as the " Big Five," who together control from 61 per cent. to 86 per cent. of the different lines of the meat-packing trade. Their activities are not confined to America, for they have subsidiary or controlled or affiliated firms in Great Britain, Canada, Germany, France, Italy, Denmark, Australia, New Zealand, Uruguay, Brazil, Argentine, Paraguay, etc. They have not only a monopolistic control over the American meat industry, but have " secured control, similar in purpose if not yet

in extent, over the principal substitutes for meat, such as eggs, cheese and vegetable oil-products, and are rapidly extending their power to cover fish and nearly every kind of foodstuff." In order to make their monopoly more effective they have gained control of market-places and of means of transportation and distribution. They own, either separately or jointly, stockyards, refrigerator-cars, rolling stock, storage facilities, etc. So that even if any competitors arose they would be entirely at the mercy of the Big Five—who control everything that is essential to the distribution of perishable foods.

A very much simpler and more homely illustration of the same tendency is shown in the ownership by one company of both the London omnibuses and the Underground Railways.

The most effective check on the power of a monopoly is the existence in the same industry of some institution which sells the same article or service and yet could never be induced to enter the combine. London traffic again affords an illustration. Recently the London County Council decided that to encourage the use of its tramways during what are usually the slack hours, a maximum fare of 2d. for any distance should be charged between the hours of 10 a.m. and 4 p.m. As the London General Omnibus Co. runs its buses in certain areas over the same routes as the tramways, it was not long before notices appeared in the buses that the 2d. maximum would operate on the buses too, but only on those routes which are served also by the L.C.C. trams! The-

activities of Municipal authorities are, however, limited, so that they could therefore not act as a safeguard, except in those industries, such as gas, transport, etc., which are in many districts entirely under their control. But in more general industries the same part may be played by the Co-operative Societies.

As these societies are bodies of consumers producing for their own use and not to sell their products at a profit, they have no inducement to put prices high, for the extra profit that they would make as salesmen would be returned to themselves as consumers, in the form of a rebate on purchases. That the great size of this non-profitmaking organization really enables it to exert its influence on articles of general consumption can be seen in its relations with the Imperial Tobacco Trust Co. This company was formed in 1901 to compete with an American trust which was making a bold bid for British trade. After a protracted fight, the two companies united, and their joint strength was sufficient to enable them to impose conditions on the retailers stocking their brands, as to minimum prices, etc. It was then that the company tried to bring the co-operative movement within the scheme.

“‘Two or three years ago,’ says the *Co-operative News* of 24th March, 1906, ‘the Imperial Tobacco Trust Co. desired the English Wholesale Society to observe certain conditions in the sale of the trust’s tobaccos, otherwise supplies would be cut off. The Wholesale Society could not see their way to fall in with the views of the Imperial Tobacco Trust Co., and there the matter evidently ended. At any rate

the English Wholesale Society continued to send orders to the trust company and none of them came back unfulfilled.<sup>1</sup> "1

As the English Wholesale Society manufactures tobacco on its own account, it would naturally regard a boycott as a good opportunity of extending its own business.

The existence of healthy foreign competition again acts as a check on the prices charged, and to this extent a strictly Free Trade policy will protect the community from a certain amount of exploitation. The imposition of a tariff on goods from abroad induces traders to amalgamate very much more readily than they would otherwise do. For to protect a trade means that there are possibilities of earning higher profits in that industry than are normally to be gained. Capital flocks into the trade, fierce competition ensues and those who survive the fight join together to control the industry in their joint interest. But where, as so often happens, trusts are international in character and the world markets are apportioned out amongst the various firms, this check is no longer operative.

Demand itself acts as its own safeguard. There comes a point beyond which each individual feels that it is not worth going. The limit is reached at varying times according to the income and tastes of the purchaser, but come it does; and therefore as price is raised some purchasers drop out altogether, others curtail the amount they buy, and the total

<sup>1</sup> *Trusts in British Industry.* H. W. Macrosty.

sold drops continually. The monopolist has therefore to make up his mind whether it pays him to sell a large quantity at a low price or a smaller quantity at a high price. He will be guided by the "elasticity of the demand" for his goods, i.e. by the rate at which demand falls off as the price rises. • If the article is a necessity, or a conventional necessity (e.g. beer, tea, tobacco), the demand does not fall anything like as quickly as if it is a luxury, and the price can be raised fairly high. But very often prudence enjoins keeping price more or less steady. A permanent combine has to think of the future, and will not rouse public opinion against it, by raising prices too quickly, or as high as possibly it could.

Whatever the checks that help to prevent the monopolist from using his full power, there is little doubt that wherever combination exists, price is, more or less, higher than it would be if competition held; and that in consequence the community is being exploited in the interests of the monopolist. When, however, we come to consider what more effective safeguard could be devised we are immediately confronted by almost insuperable difficulties. It has been suggested that the State should either fix the prices of important commodities (as it did during the war), or that some such tax as the Excess Profits Duty should be permanently established to take for the community the extra profits gained through monopoly. But in normal times it is exceedingly difficult, if not impossible, for an external authority to fix prices. It would have continually to do so on information that is out of date, and



would thereby prevent the adjustment of supply and demand, of which the fluctuations in price are both a cause and a consequence. Nor is it any more possible to make a tax like the Excess Profits Duty permanent. During the war E.P.D. achieved its end to a certain degree—it attempted to take for the State those profits which could be said to be definitely a consequence of war conditions. The fixing therefore of the profits of pre-war times as the basic rate, any increase over which could be taxed, had reason and justice on its side. But how can one decide what is an equitable basic profit in normal times? Any rate fixed on is purely arbitrary and one is quite unable to judge how much of the extra profit gained by any concern is due simply to control of markets, and how much is the reward of exceptional ability and organizing efficiency.

Another proposal that has been made is that the Gordian knot should be cut by prohibiting monopolies altogether. There would still remain the difficulty of deciding exactly when a monopoly occurs. It is most unusual for one company to control the whole trade. There would thus be the necessity of settling what percentage of control constitutes a monopoly. The effect of such anti-trust legislation would be to drive combinations underground, to be expressed in "gentlemen's agreements" or "honourable understandings," in which cases the exploitation of the consumer would continue but without the compensating advantages of unified management and more efficient production. The problem finally resolves itself into this: "How

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may one retain the efficiency that results from an industry being under unified control, and yet ensure that the benefits of unification are passed on to the community?" The Committee on Trusts which was appointed by the Ministry of Reconstruction in 1918 suggested that the Board of Trade should be empowered to investigate the extent and influence of all trade agreements and combinations and to give publicity to the action of any group of firms which seemed to be working against the public interest. 'Such publicity would doubtless have a beneficent effect. By allowing the public to see wherever prices were being charged very much higher than was warranted by the cost of production, it would serve to create an enlightened public opinion which could show its disapproval of extortionate charges by a boycotting of particular goods. Experience has shown that an adverse public opinion is what is most dreaded by monopolists and it is possible that publicity would act as a real deterrent to high prices. But it must be admitted that this is hardly a sufficiently powerful remedy for a problem of such extent and gravity. Consumers are so disorganized a body, that it is not certain that an effective opinion would be created by a series of Government reports. Such a policy of publicity has great use during a period of very high and quickly fluctuating prices (as in the years following the end of the war) because public interest in prices and costs is maintained at a high level; but normally it is unlikely that ordinary people would give sufficient time to a study of the reports for public opinion to

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exert a continuous and therefore effective control. It seems necessary for the community to protect itself in its collective capacity, i.e. by State Action. When an industry has come under monopolistic control it generally means that the period of experiment is over, and that the industry is capable of a very high degree of standardization. If this is so, and if the industry is also one of national importance, there seems to be a clear case made out for Public ownership. The question of nationalization will be discussed in a later chapter. It will be enough here to note that, in the words of four members of the Committee on Trusts,

"State ownership does not necessarily imply State management. In some cases it may be preferable to lease the enterprise with prescribed schedules of prices and wages and other necessary conditions for management either by a Local Authority, a Co-operative Society, or a joint-stock company."

The charging of extortionate prices is the complaint most generally brought against monopolies because it is in that way that they are brought into the most direct relations with the ordinary citizen. But there are other aspects of monopolistic control of equal if not of greater importance, as for example their political activities, or the effect of combines on the position of labour. Opinions vary very greatly as to whether workers are actually treated better or worse by trusts than by ordinary competing firms. The general feeling seems to be that the greater size of the trust makes more evident to the

worker the impersonal relations that exist between himself and his employer.

"In the recent industrial unrest it was generally the large firms which experienced the most trouble. The tendency of these large aggregates is necessarily to become impersonal and to make the worker feel that he is dealing with a vast machine not amenable to ordinary persuasive influences, against which his only weapon is to strike."<sup>1</sup>

It may be that the higher profits earned by the trust makes it possible to give higher wages and better conditions to its workers, than a smaller firm could profitably allow; but the concentration of capital and authority does undoubtedly limit the freedom of the employee. Whilst firms are competing, it is still possible to a limited extent for a worker to exercise choice as to his job, and to better his position, perhaps, by offering his services to another employer. But when businesses are working under a joint control it is difficult for a man to change his job without his employer's knowledge, and therefore without his permission. The vast capital also gives the employer a very much greater economic backing in negotiation with the worker than the most highly organized Trade Union can afford.

The comparative weakness of even the organized worker means that in the effort to maintain dividends it is often the wage-rate that is the first expense on which economy is practised. A trust can buy up

<sup>1</sup> *Representative of Ministry of Munitions, giving evidence before Committee on Trusts.*

other firms only by increasing its share capital. Where the price that is paid represents nothing more than the actual value of the plant and goodwill, the increased productivity of the company allows for the payment of the dividend on the new capital. But combines are, as a matter of fact, often seriously over-capitalized because of having bought out small competing firms at a highly inflated price. A big trust has generally the alternative of killing off its small rivals by a price-cutting war, or of buying them out. It generally chooses the latter course as being less expensive in the end, but it is natural that a firm should put up its price when it knows of a wealthy purchaser anxious to buy. During the war, too, a great number of unprofitable concerns were bought up to evade paying Excess Profits Duty. In this way the capital on which dividends have to be earned is very largely increased, whilst the producing capacities of the trust remain more or less the same. Increased charges can be met by higher prices or lower wages, and as it is difficult to raise prices quickly beyond a certain limit, an attempt is made to lower wage-rates.

The political danger is however even greater than the social and economic, because it is less evident. The tendency towards amalgamation has resulted in the growth within the State of a number of industrial monarchies, which use their financial authority to influence Governments, to act in ways beneficial to their interests, but maybe prejudicial to those of the public. The capital resources of a big trust are so great that it is easy for it to influ-

ence the policy of Governments by subscribing heavily to Party funds, by getting its members elected as representatives to Parliament, by controlling the Press and thus influencing public opinion, etc. The influence of the oil trusts on foreign politics shows as well as anything the power of these States within the State.

The oil industry is of such a nature that there is a natural tendency towards monopoly. It is, in fact, difficult, if not impossible, to conduct the industry profitably on a small scale. The production of oil is a very hazardous undertaking, for there is no security in the possession of it until it has actually been stored above ground. Moreover oil wells are so rapidly exhausted that a continual effort must be made to find new sources, if output is to be maintained. The speed with which wells are exhausted adds another difficulty to the problem of transport, for pipelines and refinery installations built to take the production from one place become soon of no further use. But the greatest difficulty of all with which the oil industry has to contend is the very quickly changing demand for oil as a whole, and for the different brands of the products. Keen competition amongst the owners of oil leases makes it exceedingly difficult to decrease supply quickly to meet a falling demand. As boundaries are necessarily on the surface each is afraid that his rival will continue to draw off the oil from an underground pool and store it for further use when demand revives. Production continues in full swing until all the available storage space is in use and prices

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then come down with a run. When, on the other hand, demand necessitates an increase in supply, the industry cannot easily expand. Ground must be prospected and drilling take place before the oil can be brought to the surface, while in the intervening months prices soar upwards. This very great fluctuation in price means that the oil industry is highly speculative, and it is only a large combine which takes in hand all the operations of producing, transporting, refining, and marketing that can hope to weather the storms. The nature of the industry thus led easily to the development within each country of big groups to control the whole trade. But naturally the desire to make profit safer by being sure not only of supplies but also of storage and trading facilities has resulted in the formation of trusts with world-wide interests and of international importance. Thus the Standard Oil Co. is not content with controlling the oil production of the United States, but has sought for new oil-bearing areas in Mexico and South America, in Rumania, Russia, Czechoslovakia, Mesopotamia, Palestine, and Persia. The same is true of the Royal Dutch Shell (the result of the union of big companies of Holland and England) and of the Anglo-Persian Co. The desire of each of these and other companies to secure its future supplies by procuring concessions of possible oil-bearing areas, leads inevitably to conflict between them. This might be of little general interest were it not that in each case the financial power of the companies is so strong as to enable them to make

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their respective Governments act as their spokesmen. In this way they effect agreements of immense social and political importance, mainly with the view of giving to one group or another power over oil-bearing ground.

Towards the end of 1920 there was a possibility of serious friction, and even open hostility, between America and England, solely because the American oil companies resented the fact that combines composed largely of British capital and staffed by Englishmen, had managed to acquire possession of a large number of the richest petroliferous areas. To balance what was considered an unfair advantage over their own nationals, the United States Government began to cancel many of the concessions held by the British in Mexico and South America, and it looked for a time as if the fight between the concession-holders would develop into a problem of the greatest international importance. The first political cause of hostility was the conclusion in April, 1920, of the San Remo agreement between France and England, which provided for joint political action with regard to oil-development in Mesopotamia, Galicia, Rumania, Asia Minor, etc. It was agreed that in Mesopotamia the French should take over the 25 per cent. share formerly held by Germans in the Turkish Petroleum Co. (of which the remaining shares were held 50 per cent. by the Anglo-Persian Co. (of which the British Government is the largest shareholder) and 25 per cent. by the Royal Dutch Shell combine (which is largely British). The American Government imme-



diately protested on behalf of the Standard Oil Co. and as a result of that intervention gained for the company a concession in Palestine.

In a like way the influence of the oil trusts served to break up the Genoa Conference, on which the hopes of all the world were set to bring some order into the economic chaos prevailing in Europe. The Soviet Government of Russia had been anxious to get a unified administration of all its oilfields, and had asked the Royal Dutch Shell, Standard Oil and the Anglo-Persian groups to join to operate them. The scheme broke down owing to the refusal of the two first to enter any combination together. During the proceedings at Genoa came the rumour that the Royal Dutch Shell group and the Soviet Government had negotiated an agreement for the working of the oilfields. Immediately the American Government, although it had previously refused to take any part in the conference, urged on by the Standard Oil Company, backed the French and Belgian delegates, who for other reasons were anxious for the conference not to continue. Thus the fear of one oil trust that another might rival it in supplies resulted in the breakdown of a conference that was meant to settle the reconstruction of Europe, and on which the lives of millions depended. "This minor interest of the great oil trust was sufficient to hamper the negotiations and limit the achievements of the world-conference at Genoa." <sup>1</sup>

A problem which is international in scope can be

<sup>1</sup> *Reconstruction in Europe*. Published by *Manchester Guardian*, Commercial.

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dealt with only by machinery which is international in nature. The Economic Section of the League of Nations seems a very suitable body to take upon itself full investigation of the activities of all international combines and make recommendations as to what should be done. The recommendations of the League are not necessarily ratified by the respective Governments, but publicity would be of the greatest value, and would make clear the issues on which action might be taken.

## CHAPTER III

### ORGANIZATION OF INDUSTRY : LABOUR (I)

#### I

IN the oldest code of laws of which we have knowledge—the code of Hammurabi, King of Babylon, who lived several millenniums ago—there are carefully set down by that wise and just ruler the regulations that were to govern the relations of his subjects. If a man wished to know the obligation he incurred in ordering a house to be built, in hiring a boat, or in striking a gentleman, a woman or a slave, he had but to look at the appropriate section of the code, and then calculate what rank of man or woman he could afford to injure, or what size of house was conformable with his wealth. Although the largest part of the industry of Babylon was carried on by slaves for their owners, it was usual for a man with special work afoot to hire from others their young sons or their slaves. Naturally, therefore, Hammurabi set down—along with the price to be paid for the hire of oxen, sheep and goats, the cost of the services of labourers and craftsmen.

“ If a man has hired a labourer from the beginning of the year till the fifth month, he shall give six sé of

silver per diem; from the sixth month to the end of the year, he shall give five šē of silver per diem."<sup>1</sup>

When men and women could be divided into quite definite grades and the value of each estimated, life perhaps was narrow, but it was more or less devoid of friction. But when gradually through the ages, status gave way to contract, the growth of personal freedom brought in its train innumerable difficult problems. For when a man's place in the world is no longer immovably fixed by custom and despotic law, but depends on his own initiative, the difficulty of ensuring that each finds the niche into which he can fit becomes the central problem of any community.

In the modern western industrial world, when, towards the end of the eighteenth century, the beginning of the new industry broke up the old economic and social system, the movement which had been developing from the Middle Ages reached its maturity. The old idea of the division of mankind into fixed grades, each with its appropriate rights and duties, finally disappeared. Its place was taken by the philosophy that looked upon society as a collection of entirely separate and individual units. But the complexity of the attendant problem of the best way to weld those units together into a good community was not fully appreciated. The solution of the problem was considered an easy matter by the philosophers and statesmen of the time. "Each man," they said, "desires his

<sup>1</sup> *Babylonian and Assyrian Laws.* C. H. W. Johns.

own happiness and prosperity, and knows better than anyone else possibly can the best way to achieve it. Leave men perfectly free to seek this end; and as society is made up of its individuals, the result will be the highest prosperity of which the nation is capable."

A too strict adherence to this doctrine was the cause of the degradation of a large portion of the population of England during the last century, and sowed in the hearts of the workers the seeds of a bitterness and hostility which have ever since continued to grow. For when the theorists urged the necessity of leaving men free to find their own level in life, they forgot that men do not start equal; that some begin the race half-way to the goal, whilst others are so heavily burdened as hardly to be able to move. It is this inequality in position which is the *raison d'être* of Trade Unionism.

To pretend that an employer and an individual worker stand on an equal footing when negotiating the contract of wages to be paid, hours to be worked, etc., is to lose oneself in abstractions. Nominally, of course, a worker is free to refuse to sell his labour if he considers the payment offered is insufficient, or the conditions of employment unsuitable. But this freedom is seen to be somewhat shadowy when it is realized that the alternative to accepting employment is starvation for himself and his family. There is never a man, however poor, but knows that there is some other in even worse plight than himself. And he knows, therefore, that if he refuses a job, another whose need is desperate will accept it,

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however low the wage. But if all who are skilled in a particular trade band themselves together and refuse to give their labour except under certain conditions, the power of each is greatly increased.

To the employer it matters little which of two average workmen is chosen to fill one vacancy; to the workmen it is a matter of infinite importance. An employer, though dependent on labour collectively, does not depend absolutely on an individual worker and can afford to wait if nobody applies immediately for a job. The worker is absolutely dependent on those who have it in their power to give or to withhold work and wages; he cannot afford to wait, for the amount of his reserve is negligible. It is the employer's special function to have a detailed knowledge of the markets, and to know the value of the goods being produced, and of the labour that produces them. The worker, illiterate and tired, with no leisure to understand the complex problems of the industrial world, is at a disadvantage when bargaining for the wage to which he considers himself entitled. For with no knowledge of markets he is unable to refute the arguments of his employer, when he is told that his demands are more than the industry can bear, or are not warranted by the state of trade.

The trade union gives to the workers the economic backing that the employer inevitably has by reason of his capital and knowledge. By building up a fund out of weekly contributions it enables the worker to stand out for the price collectively decided upon, in the certainty that no one will take

the job at a lower rate, and that the union funds will permit him to wait for a short time at least without being faced with starvation. Not only does it substitute the advantageous collective bargain for the individual one, but it gives to the worker the services of an expert and trained negotiator, whose business it is to devote his whole time to the study of market conditions, and so to be able to meet the employer, or his agent, on equal ground.

Originally local societies, formed with a purely defensive policy of maintaining a standard of life that was being continually lowered, trade unions have grown into national associations, wielding enormous power and with aims so wide and far-reaching as to be difficult of definition. Their general function of "maintaining and improving the workers' standard of life" may be and is interpreted in innumerable ways. One view is satisfied with the conservative ideal of bettering the conditions of work within the existing framework of society; another holds that such a function cannot be performed without the total re-organization of communal relations. For it is important to realize that the Trade Union movement is not a coherent or organic thing. English Trade Unions differ from those of other European countries in having grown up prior to socialistic teaching and not as a consequence of it. They have been founded at different times in the various industries to meet the pressing needs of the moment, and the manner of their birth has affected their development. In the fifties the firm belief in the "Wages Fund" theory, i.e. that

wages depended on the "proportion between population and capital," led to the conviction that the only way to increase wages was by decreasing the number seeking employment. To this proposition the workers' corollary was the formation of powerful craft unions which sought by strict apprenticeship regulations to limit the possible number of applicants for certain types of work. By the twentieth century the exclusiveness of craft has been practically destroyed; and the prevalence of automatic and semi-automatic machinery has made obsolete in the majority of industries the apprenticeship laws that previously ruled them. The tendency of the unions of this century is, therefore, to a very much wider basis of association, to combine, that is, not simply members of one craft, but members of a whole industry.

The fact that unions have grown up at different periods to meet different needs accounts for the complexity and difficulties of the Trade Union movement to-day. For ideas change but slowly, and constitutions are rigid things. A society with a long history is proud of its traditions and is often unable to understand that its aims and methods are inapplicable to conditions that are vastly different from those existing when the society was founded. The result is a medley of unions of all kinds, with widely differing aims and with conflicting ideas as to the place they should aspire to fill. Apart from their primary function of bargaining collectively for minimum standards of wages, hours and conditions it is almost impossible to make a generaliza-



tion about them that will bear application to any union at random. There is no definite trade union policy or philosophy; it depends entirely on the degree of education, on the self-consciousness and on the convictions of the members. They may restrict themselves to negotiating higher wages and shorter hours; they may see as their main work the gradual overthrow of society and its substitution by one organized on a more moral basis.

"Trade Union theory is not like the laws of the Medes and Persians, unalterable. It varies with the intellectual development of the members. At the present moment we are concerned in safeguarding our members' interests in accordance with present-day conditions of society. We hope, sooner or later, to mould public opinion and use the institutions of the country to bring about greater organic changes in the basis of human society, so that the relations between employers and workers shall be better than they are to-day."<sup>1</sup>

There are broadly three methods of organization for the workers—craft, occupational and industrial. The craft union associates all who are engaged in the same industrial process, or on processes so nearly akin that one worker can do another's job. This is the basis of association of most of the smaller unions as, e.g., the Bricklayers, the Ironfounders, or the Sheffield Razor-Hafters and Knife Grinders. Occupational unions are an obvious development from the craft; they unite all who are engaged on a group of kindred processes as, e.g., the Amalgamated

<sup>1</sup> Mr. J. T. Brownlie, giving evidence before the Court of Inquiry into the Engineering Lock-out, 1922, quoted in *Labour and Capital in Engineering Trades*.

Society of Woodworkers, or the Amalgamated Engineering Union. The industrial union is built on a different foundation; it combines in one society all those, however dissimilar their work, who together co-operate to produce a particular commodity or service. At present there is no real industrial union, but the National Union of Railwaymen is a close approximation to it. Its membership is open to any employee of the railway companies, although as a matter of fact the clerks and the locomotive-men are organized in two separate unions.

The craft unions claim for their structure, that as interests are uniform throughout, their power in collective bargaining is very considerable and can be intelligently used. Where the union has a monopoly of the men possessing a certain skill, it is able to secure attention to its demands, for it can paralyse the trade with very little expense to itself. But the exclusiveness of crafts is breaking down. The tendency in manufacture is continually to subdivide one skilled process into a number of semi-skilled or automatic ones; and the members of the craft must, therefore, be very careful that there is not a body of semi-skilled men able to step into their places and do their work at a pinch. The recognition that (except in a very few industries) the craft is no longer in an impregnable position has led of necessity to a greater impetus towards federation and amalgamation; and the power of unions has varied largely in proportion to the degree of unity they have achieved. To be effective the federation must be in receipt of regular contributions

from its constituent societies, in order to be able to exert its authority to bring about concerted action when necessary. The difficulty lies in the pride of the unions, each of which is unwilling to sink its identity in the larger association. But the boundaries of crafts are now so indefinite, and different crafts merge together so imperceptibly, that between two unions working near to one another in the same field there must be a kind of No Man's Land : and each union seeks to absorb those men engaged on these border-line processes. This rivalry leads not only to the waste of duplicating administration, but results in the folly of demarcation disputes between the unions as to the bounds of their spheres of influence. The gradual realization of the absurdity of this policy, coupled with the knowledge that the larger the Union the stronger is it financially, has very greatly strengthened the movement towards joint action ; and has resulted in many instances in a federation so close as to be in fact (if not in name) an amalgamation.

Amalgamation, however, may proceed along two lines ; it may be the combination of various allied crafts to form an occupational union, or it may be combination of the different grades that together make up an industry. The Amalgamated Engineering Union is an example of a number of crafts joining together to form an occupational union ; while in the Miners' Federation of Great Britain are associated the different crafts which together make up the industry. The line of separation between them is due partly to the nature of the occupation

and partly to a conflict in ideas as to the part trade unions should play. The problem of organization in the mines is very simple. All who are engaged in the industry are grouped together in districts, and as their power depends on their ability to prevent absolutely the production of coal it is natural that all engaged in that work should join together. But engineers are employed in practically every industry and if each group joined in the industrial organization of the particular trades to which it was attached, not only would their power as engineers be considerably less, but the rates of wages and conditions of work would be different all over the country. But the movement for the substitution of Industrial for Craft Unionism derives its inspiration mainly from those who see in the trade unions the necessary weapon whereby to bring about a reorganization of society. The Guild Socialists, who have made articulate the hitherto ill-defined demand for control of industry by the workers, have put as their aim the organization of production into guilds, each comprising the whole of one industry, and carrying on work for the benefit of the community. The first step in this direction is naturally the organization of employees into industrial unions in preference to craft or occupational, and as this ideal has captured the imagination of the younger and more energetic members the necessity for association along these lines is being continually preached.

There is one important function of all trade unions, whatever their size, whatever their aims, which is very rarely recognized—that is, their educa-

tional work.. One can hardly conceive of a finer training for democracy than is received by the members of a trade union. Political democracy is only a name, if the general mass of the electorate are too ignorant, or too poor, or too overworked to take an intelligent interest in the work of their Government. Yet in general the Government of a country is too remote from the individual citizen for him to realize that it is he who has the power to decide the policy of the ruling authority. His control is so spasmodic, he feels himself so insignificant a unit of a vast community, his immediate interests absorb so much of his time and energy, that he soon loses whatever interest he ever felt in the actions of those he chose to rule him. He thinks of them as "the Government," a remote and generally malignant power, as some quite external body with no relation to himself, except to force him for no apparent reason to do things he dislikes doing, or to refrain from doing other things that he immediately passionately desires to do.

But in the small trade union branch a man meets others whom he knows from work, who have the same interests as himself, and a point of contact is at once established. Their purpose in meeting is very definite; they have a certain grievance which they wish to remedy and they are prepared to discuss together the best way in which this may be done. They learn how to state their views so as to carry conviction; they learn to criticize the statements of others. And when a course of action has been decided upon, it is to the interest of all to

see that their appointed officers carry out efficiently the branch's mandate. The subjects of discussion are matters of vital and immediate importance that affect the details of their daily life, and it is not difficult therefore for the members to realize the relation between the policy they have voted for and the results, good or bad, that are its consequence. Nor does it stop there. Industrial, social and political problems are so intimately bound together that discussion of an industrial difficulty leads necessarily to an effort to unravel its social and political causes and consequences. So that for an intelligent trade union member the mental horizon is continually widening.

That this is actually the case can be seen in the very much keener political interest that is evidenced in those districts in which the workers are highly organized. The Trade Union journals open their columns to discussion of social and political legislation and often print articles of the greatest value on questions of foreign policy, taxation, etc.—articles which at one time would not only have aroused no interest in the mind of the normal worker, but would have been unintelligible to him. The various societies which set themselves to provide higher education for those who normally are cut off from organized educational activities at the age of fourteen, find that the greatest demand for classes and tutors comes from the members of well-organized trade unions. The Workers' Educational Association, which provides for working men and women tutorial classes and courses of lectures of

University standard, had affiliated to it in 1921 1,350 Trade Unions, Trades Councils and Branches.

The *Final Report on Adult Education*, published in 1919 by the Committee appointed by the Ministry of Reconstruction, shows that, although the demand for adult education is fairly widely diffused, it plays a very much more important part in industrial than in rural areas, because the former are organized whereas the latter are not, and because the organized worker with his higher standard of life has more interests, as well as more leisure in which to develop them.

"Adult Education tends to develop most readily under the conditions which facilitate the rapid development of other movements, and to be weak where they are weak. It is spread most easily in towns where there is a fair level of prosperity and leisure, and where social life has the cohesion which comes from organization—in Lancashire or Yorkshire or South Wales, rather than in East London . . . among classes which take a keen interest in some department of knowledge rather than among those who are made incurious by concentration upon material interests, whether of poverty or of riches."

## II

The methods by which trade unions negotiate their agreements are of almost infinite variety. But in practically all the bigger industries the procedure is carefully regulated and is carried through with automatic precision. The representatives of employers and workmen are brought together by Councils and Boards, and agreements are reached

as the result of discussion and bargain. In some cases discussion fails; both sides find themselves unable to meet on common ground, and a strike ensues. But the number of cases in which warfare is resorted to is very much fewer than it was before the more efficient organization of the workers allowed for the possibility of reaching a settlement by negotiation. There is a general opinion that strikes are actually more numerous than they used to be. The reverse is true. But the strikes of to-day are so much bigger in scale that they cause more inconvenience and can no longer be ignored.

Even before the beginning of this century many industries had provided themselves with councils for conciliation and arbitration, to which were automatically referred disputed claims for alterations in wage rates and working conditions. In 1896 a Royal Commission on Labour was appointed to "consider the relations between employers and employed"; and in the course of their inquiry the attention of the members was directed to Conciliation Committees which were already in existence. They found that many industries (notably engineering, shipbuilding and mining) had provided themselves with voluntary committees, to whom disputes had to be referred before a strike took place; there were also district committees not confined to any particular trade, but willing to offer their services wherever they were required. The worth of these boards lay in their ability to prevent a strike rather than to settle it once open hostilities had broken out. For both sides were more willing to see the point



of view of the other and there was no question yet of the maintenance of dignity or prestige. But their purely conciliatory nature was, in a way, their weakness. The knowledge that there was no certainty of reaching agreement made each side unwilling to concede too much, lest its position should be weakened if a strike eventually took place.

The Commission recommended the Government to establish no new machinery for the settlement of disputes, but to encourage as far as it could the rapid extension of voluntary committees to other trades. The Conciliation Act of 1896, which embodied their recommendations, provided for the registration of any Conciliation or Arbitration Board making application, and gave the Board of Trade power to inquire into any dispute and appoint a conciliator to bring the parties together. But it was recognized that conciliation had very strict limitations and that in some cases neither party would compromise at all unless a strike was definitely to be avoided by so doing. The Act therefore gave the Board of Trade power to appoint arbitrators who, on the consent of both parties, might adjudicate between them and give a decision which, though not legally binding, both parties should feel themselves in honour bound to keep.

From 1896 this Act has been the source of most of the attempts to foster negotiation at the expense of industrial warfare. As organization of the workers increased, more and more trades set up their own machinery; while the Board of Trade was always ready to provide an impartial arbitrator should the

parties themselves find it difficult to do so. As is natural, there is very great diversity in practice among these bodies both in structure and in powers. Some trades have local boards, some district, others national. Some committees are permanently established, ready to act if a dispute is apprehended ; others are merely *ad hoc* bodies called together if a specific matter requires settlement. In nearly every case, however, the broad features are the same ; the Board is formed of equal numbers of representatives of workers and of employers with an impartial chairman. It is usual to refer to arbitration if conciliation fails, i.e. to ask an impartial chairman to give a decision by which both sides will abide ; and in many cases there is a whole hierarchy of organizations, so that if argument is found impossible on one committee, appeal can be made to the higher bodies.

The war gave a very great impetus to the development of negotiation. For it was essential that production should be maximized and that stoppages should be as few as possible. As the result of the wave of patriotism which spread throughout the country, the Trade Union Congress, the General Federation of Trades Unions and the Labour Party jointly agreed to do all in their power to urge workers and employers to make a serious attempt to reach an amicable settlement before having recourse to a strike or lock-out. But the necessity for speeding up production in those industries which were essential for the successful carrying-on of the war necessitated something more definite than this. Conse-

quently the Cabinet called a representative meeting of the officials of the trade unions concerned and in 1915 the "Treasury Agreement" was drawn up and signed. By its terms the officials promised to use their influence against the calling of strikes and to endeavour to refer disputes to arbitration. There was nothing very new in this ; there was no compulsion ; the officials simply agreed to recommend this course of action to their members. And it was not until the series of Munitions of War Acts of 1915-16-17 that for the first time it was made actually illegal to strike, and the decisions of the Boards of Arbitration were made legally binding.

The legal prohibition of strikes was so fertile a cause of bitterness and unrest that on the termination of the war it was at once repealed. Nor was the hostility aroused merely by conditions or circumstances peculiar to the war period. In England the organized workers have always been strongly opposed to any measure of Compulsory Arbitration, and this attitude has had very general support from both employers and the public. In 1911 an Industrial Council was appointed by the Government to consider this very question. In the course of its investigations it found that, whereas from 1896 to 1912 597 cases had been referred to the Board of Trade for arbitration, very many thousands had been settled by the voluntary committees. The Industrial Council, impressed by this, felt that to take away the voluntary character from these settlements would be at once to destroy their effectiveness.

"The whole organization of collective bargaining . . . is based upon the principle of consent . . . we are loth either to interfere with the internal organization of the Associations on both sides, by putting upon them the legal necessity of exercising compulsion upon their members, or to introduce a new principle which might have far-reaching and unexpected effects upon the natural growth of such Associations or upon the spirit with which as a rule they have carried on." <sup>1</sup>

In 1917 a very extensive inquiry was conducted into the causes of the industrial unrest all over the country, and there was general agreement that the cause lay largely with the compulsion of submitting all disputes to arbitration. Not only was the almost inevitable delay in hearing cases the occasion of bitterness, but the workers resented the restriction of personal freedom at a time when the limitation of their numbers would have given them greater bargaining power than ever before. Principally, however, the unrest could be traced to a lack of confidence in the Government, and an unwillingness to accept its arbitrators as impartial. Whether this fear was justified or not is immaterial. If men are compelled by law to submit their disagreements to the judgment of an external authority, the impartiality of that authority must be beyond question. And any lack of confidence in the judge, however unwarranted, immediately destroys whatever usefulness such a system may have.

Nor is the dislike of compulsion as unreasoning as it may appear. Before it is possible to compel two disputants to abide by the settlement of a third

<sup>1</sup> *Industrial Council Report*. Cd. 6952, 1913.

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party, there must be universally recognized a body of principles, the application of which to their particular circumstances the judge is empowered to make. If no such body of principles exists there is no standard by which the arbitrator may give his verdict. He can be guided only by his own individual opinions, which have no more moral sanction than the views of any other man ; and to compel others to abide by his decisions would be to put him in the position of a despotic lawgiver and to deny democracy. Now at the moment no such body of moral law exists in the industrial world ; in fact the basic principles of industry are in a highly controversial and even chaotic state. For instance, before giving to a Board the absolute legal authority to decide particular wage rates, there must be in the community more or less general agreement as to what is the right basis of wages. Should remuneration be based on the needs of the worker ? Or on the value of his work ? Or in accordance with what the industry can bear at the moment ? Are the number of hours worked to be based on a scientific computation of the number that will result in the greatest total output ? Or should one take into account other considerations, such as the value of leisure for purely spiritual and cultural development ? .

But the lack of a standard does not apply to all disputes. Agreements made between Employers' Associations and Trade Unions are generally for a term of years. In the meantime new circumstances may arise, and result in a dispute as to the way in which the old agreements shall be applied. Such a

disagreement is very suitable for arbitration, for the principle is already established ; it has been voluntarily agreed upon and requires simply to be applied. But when a new settlement is being negotiated principle is involved and unless both parties voluntarily consent to allow a third to judge between them, arbitration can do nothing.<sup>1</sup>

It is not claimed that an agreement arrived at by means of a strike or lock-out has any more moral force than an arbitrator's decision. It merely shows which of the disputants is the stronger. For a strike, inasmuch as it is an appeal to force, has no power whatever to effect an equitable settlement. But generally the strength of the rival parties is not the only deciding factor. Public opinion plays a very great part, and can so strengthen the side to which it gives its support as to enable a group of financially weak workers to carry their quarrel to a successful conclusion or vice versa. Public opinion, however, is not always on the side of the right. It depends for its facts on newspapers which are almost always too biased to give a true account of the case. The tendency has been, therefore, whilst leaving the final settlement of disputes to voluntary collective bargaining, to investigate impartially the causes of the disagreement. By shedding the light of publicity it is hoped to create an enlightened public opinion which will use its influence either to prevent a strike or to bring it to an end.

<sup>1</sup> Compulsory Arbitration, when tried in Australia, failed from this very lack of a standard by which to judge, and since 1918 strikes have once more become legal.

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The Industrial Courts Act of 1919 embodied this idea. Part I of the Act provides for the setting up of a standing Industrial Court, composed of employers, workers and independent persons (and in addition one or more women), all nominated by the Minister of Labour. If the Minister can get the consent of both parties to a dispute to submit to the Court, the President nominates such members as he thinks fit. The Chairman (one of the independent persons) acts as umpire and his decision, though not legally binding, is generally observed. In addition to its judicial function the Court may, at the request of the Minister, advise him regarding any matter arising out of a dispute. Part II, however, is the more interesting section. Without the consent of the disputants, and even if a strike is actually in process, the Minister of Labour may appoint a Court of Inquiry, to investigate the causes and circumstances of the dispute, and to report to the House. The motive is simply publicity—to give the public an opportunity to form an opinion as to the party which has been wronged and to decide to which its support should be given. One of the most notable inquiries conducted in this way was that made by the Court of Inquiry into the Dockers' dispute in February, 1920. The Court, which sat under the chairmanship of Lord Shaw, made a very thorough investigation of the conditions of dock labour, of scales of payment, of methods of employment, of the responsibility for the serious loss of output, etc., and after weighing the evidence on both sides, the majority (including the Chairman) reported in favour

of the claims that had been put forward by the dockers. So great was the effect on the public mind of the light thrown on to the dock industry that the National Council of Port Labour Employers was forced to agree to the most important clauses of the Report, and a strike was thereby averted.

One other alternative to the appeal to force in the settlement of disputes remains still to be discussed—the Joint Standing Industrial Councils, or as they are better known the Whitley Councils. Although these Councils have their place in the history of the general development of machinery for negotiation, they stand somewhat apart. For their value lies not simply in their work of conciliation, but in that they represent a belief on the part of the general public that the organized worker has a right to a voice in the control of the industry of which he is a member. How much real control the Whitley Council actually gives to the worker will be discussed later. It is their use as alternatives to strikes that must here be emphasized.

Despite the good work done by Conciliation and Arbitration Boards, their inadequacy to prevent a large amount of industrial warfare could hardly fail to be recognized. It was felt that the cause lay in the fact that the two parties came together only when they were already in disagreement, when feeling was running high and there was a lack of tolerance and an inability, if not an unwillingness, to see the point of view of the other. As there was no general opportunity of frequent meeting, a number of minor grievances and difficulties never got dis-



discussed at all, with the result that they gradually accumulated, irritating both sides and making the temper of the negotiators anything but conducive to friendly agreement when a meeting was at last arranged. To meet this difficulty, the Reconstruction Committee on the Relations between Employers and Employed, which was appointed in 1916 under the Chairmanship of the Rt. Hon. J. H. Whitley, M.P., suggested that all the highly organized industries should be urged to form Joint Standing Industrial Councils, representative of the employers and workpeople of the whole industry. It was recommended that these Councils should meet at regular and frequent intervals and thus afford an opportunity to all to meet at other times than when passions are inflamed by disagreement. Not only would this serve to make all more tolerant, but it would enable petty complaints to be dealt with as they arose, before their pin-pricking influence had had time to make itself felt.

There are at present in existence seventy Joint Standing Industrial Councils and thirty-two Interim Industrial Reconstruction Committees, in addition to ninety-three other joint bodies on Whitley lines, covering altogether a total of three and a half million workers. There is no doubt that these Councils, in making possible round-table conferences, can hardly fail to work for good. For whether one thinks that the root of industrial unrest lies in the system itself, or whether one believes this too sweeping a judgment, one cannot deny that any increase in sympathetic understanding, and in

opportunities for acquiring an insight into the lives and thoughts of others, must necessarily have a beneficial effect. One very great advantage has undoubtedly resulted. As the workers' sides of the Councils are formed of representatives of all crafts and occupations, they serve to bring together the various unions catering for similar classes of labour, or classes common to one industry. The result has been to break down unnecessary barriers between unions and considerably to hasten the very desirable process of amalgamation. For instance, "the Building Industry has its Joint Industrial Council, the workers' side of which represents the following unions: Amalgamated Society of Woodworkers, National Amalgamated Society of Operative House and Ship Painters and Decorators, Operative Stonemason's Society, United Operative Plumbers and Domestic Engineers' Association, National Association of Operative Plasterers, National Association of Builders' Labourers, Operative Bricklayers' Society, and a number of others."<sup>1</sup>

When one remembers the great waste occasioned by overlapping unions, and by the disputes between them as to definition of their respective spheres of influence, etc., one can hardly rate too highly any unifying influence. Trade unions are gradually coming to see the folly and extravagance of narrowly sectional organization, and in many cases formal or informal consultations are held whenever matters of joint interest arise. The attempt to secure uni-

<sup>1</sup> *Industrial Negotiations and Agreements*. Trades Union Congress and Labour Party.

formity of rates and conditions is obviously hampered by a multiplicity of unions, and there is a general tendency to greater co-operation. But there is still a large field in which co-operation is either non-existent or present only in a very imperfect form.

### III

The loose nature of Trade Union organization is particularly well illustrated by the different federal institutions which have grown up to represent the movement as a whole. The first of these, the Trades Union Congress, held its initial meeting at Manchester in 1868. The Trade Union movement was passing through a period of great stress and difficulty, owing to the intense resentment of the public of certain acts of sabotage and machine-breaking that had occurred in the previous year. A Royal Commission was appointed to inquire into the rules and organizations of trade societies and the union leaders realized the necessity of rallying the organized workers to the defence of their Associations. Since that time the annual Trades Union Congress has gradually become the representative assembly of the whole Trade Union world, representing in 1868 188,367 members and in 1921 6,417,910 members. Any union has the right to send delegates to the Congress and votes are counted in accordance with the numerical strength of the society by whom the delegate is sent. The value of the Congress lies in the opportunity it affords for discussion of all topics that are of interest to the worker, and in the chance it

gives, both to members and the outside world, of discovering the movement of opinion and the general trend of ideas. But although the Trades Union Congress has sometimes risen to the occasion and held a discussion of first-rate importance, for the most part the proceedings are unbusinesslike in the extreme. Any union may send in resolutions to be debated in haphazard order, and as the Congress has absolutely no legislative authority over its constituent societies, the delegates take little trouble to draft the resolutions in a practicable form, or to give to them the amount of constructive thought that is necessary if they are to have any real effect. Yet the annual meeting serves a useful purpose inasmuch as it is "the outward and visible sign of that persistent sentiment of solidarity which has throughout the whole of the last century distinguished the working class."

The General Federation of Trade Unions, another scheme for associating all unions, has a narrower and more definite purpose. It was established in 1899 by the Trades Union Congress, to act as a mutual insurance agency. Societies were beginning to feel the heavy drain on their resources owing to the necessity for paying strike benefit during their disputes. By contributing a regular yearly sum in respect of each member they can now insure with the General Federation against a certain proportion of the loss resulting from strikes. Although the membership has grown since the inception of the scheme, there have never been more than one and a quarter millions affiliated; and in the last

years the Federation has fallen into disfavour with a large section of the Trade Union world. This is due mainly to the fact that it has frequently overstepped the bounds of its province and has claimed to represent to the world the feelings of organized labour. As it can speak for only a small proportion of the workers and as its views of Trade Union function have often been in conflict with those of the other bodies representing Labour, it is faced now with the choice of either restricting its activities to its principal work or else impelling the largest and most influential unions to secede from it.

The difficulty of calling together all the organized workers of a certain area led quite early in Trade Union history to the formation of local delegate meetings to deal with particular emergencies. Members of one trade were almost always ready to assist financially any other society in temporary difficulties over a dispute, and there soon grew up, therefore, a tradition of joint action. These joint committees were particularly active during those periods of the last century when the legal position of Trade Unionism was threatened, and by the second half of the century permanent councils were in existence in many of the big industrial centres. Trades Councils, as these committees are called, unite in one body representatives of all the organized trades of the district. They give opportunity for general discussion and co-ordinate the work done in the different industries for the betterment of conditions. There are at present over 500 Trades Councils, with an aggregate affiliated membership of

several millions. But as they are excluded from any share in the determination of industrial policy, their influence on important Trade Union matters is negligible. They are coming to devote themselves more and more to the organization of labour on the political side ; in many cases the committee is known as the Trades Council and Labour Representation Committee. Their work in this connection is excellent, for they have done much to arouse interest in both municipal and Parliamentary politics, and to provide the political side of the movement with practical suggestions for constructive policies and with very able organizing power during elections. Their discussions, which bring together the branch officials of the local unions, give opportunities for the future leaders to emerge, and enable them to put forward candidates for municipal councils, or to serve as working-class representatives in district conferences. They perform a very valuable function in acting as information bureaux, and in encouraging the educational activities of the workers by arranging public lectures, by affiliating to the Workers' Educational Association and supporting its classes, by subscribing to circulating libraries and by publishing monthly, quarterly or annual bulletins of Local Government and Trade Union news.

Not one of these three institutions, the Trades Union Congress, the General Federation and the Trades Councils, whatever their value, has been able to weld the Trade Union movement into an organic whole. During the present century it has become increasingly evident that the movement

eadily lacked a real co-ordinating authority. The need for a general, consistent policy has been shown in the wasteful internal disputes and the extravagant overlapping and competition of rival unions, no less than in the inability to take any decisive course of action during a time of crisis.<sup>1</sup> It was felt that trade unionists must decide upon their aim and jointly evolve the best method of attaining it. Particularly was the necessity felt for a General Staff to act as headquarters of the movement, prepared to collect all necessary information affecting the worker whether as producer or as citizen, and able to give expert advice on matters relating to collective bargaining and general organization.

The Trades Union Congress had from early times appointed annually a Parliamentary Committee whose duty it was to watch all legislation which might affect the position of the worker, and to act as connecting link between Parliament and the industrial organizations. Since the growth in power of the Labour Party that work was no longer necessary, but there was still a need for some body representing the industrial side of the Labour movement as the Labour Party represents its political. To

<sup>1</sup> There was a signal illustration of this fact during the miners' strike of 1921. The Triple Alliance, composed of the Miners' Federation, the Transport Workers' Federation, and the National Union of Railwaymen, had been formed some years earlier for mutual support, particularly during disputes. In this instance the leaders of the two other unions promised to strike in sympathy, and it was not until a few hours before the strike was to begin that, in panic, they called it off and handed over the miners to defeat. A strong central authority with a sound policy could have prevented this fiasco.

meet this need the Parliamentary Committee was abolished in 1921, and there was formed the General Council of the Trades Union Congress. How far the General Council will remedy the defect it is as yet too early to say. Its success must depend largely on the extent to which the various powerful unions will be willing to sacrifice a little of their authority, and with how much authority the decisions of the Council will be invested. There is, at present, a very sharp division of opinion on this point. The big unions are jealous of their power and apt to criticize policy from the point of view of how it will affect their sectional interests rather than with regard to its influence on the world of Labour. If the General Council is to be simply a loose Federation of existing organizations each with its individual vested interests, it can never provide an effective general staff for the army of Labour. If it is true that "any national Labour organization which is made up solely of representatives of the national unions will act according to the interests of the sections of the working class enrolled in those unions and not in the interests of the working class as a whole" the General Council will certainly do very little of what is hoped from it. The time has come for trade unionists to set their house in order, to do some hard thinking.

"The Labour movement is not now in a position to carry on without the most scrupulous and drastic revision of its method and policy. The larger aims that have opened before it demand a wider vision ; its new



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purposes can only be carried through by a concentration of will on a definite plan." <sup>1</sup>

What is needed in the Trade Union world is a true League of Nations, not a Council of Ambassadors.

<sup>1</sup> "The Parliament of Labour"—a very interesting and suggestive article by R. Page Arnot in the *Labour Monthly* (a magazine of International Labour), 15th October, 1921.

## CHAPTER IV

### ORGANIZATION OF INDUSTRY : LABOUR (II)

#### I

OF all the problems that confront the student of industrial conditions there is hardly one which presents such difficulties as that of Industrial Unrest. In an investigation of its causes, where one must penetrate to the roots of industrial organization, it is almost impossible to prevent one's judgments from taking on the colour of one's social philosophy. Honestly desiring to pursue truth one launches the inquiry ; but the ideal society, however faint, that lies in one's mind may deflect the compass, swinging one towards some cherished prejudice, whereas a true course might have led one to some conclusion which, however unpleasant, is unmistakably on the chart. This subjective character of social investigation is one of the greatest obstacles in the way of truth, particularly when the subject of investigation is not merely factual, but requires a careful analysis and scrupulous calculation of psychological reactions. The causes alleged for industrial unrest and the suggestions advanced to promote industrial harmony are indications of a man's political and social con-

victions. The disease that ravages industry is considered incurable or not in so far as the demonstrator hopes to reveal private enterprise as a healthy organism when purged of the ills that clog its blood, or wishes rather to show its lack of any principle of internal growth and vitality. Yet however much we may wish to find one thing or another to be the true cause, we cannot destroy the facts that emerge. Our differences resolve themselves more into a question of emphasis; into the problem of deciding which of our numerous and complex discoveries are the ones to be considered as fundamental and which are superficial.

There are some who see the problem in terms of wages and hours. Undoubtedly one of the main causes of unrest is the lowness of the wage added to the intense monotony and weariness of uninteresting work carried on over a long period of time. One finds, however, that it is just in those industries where a high degree of organization has resulted in a decent standard of life, that industrial unrest is most articulate; and one is, therefore, forced to the conclusion that the solution to the problem does not lie simply in the provision of higher wages and shorter hours. The faith in this simple remedy springs from a certain conception of industrial society; its root can be found in the belief that the interests of Capital and Labour are at bottom identical, and that industrial warfare is only a regrettable incident. Sir Hugh Bell, a great iron-master, during a conference on Industrial Harmony held in 1915, justified the high profits earned in

his trade because they provide the fund out of which future industry is financed, and thus give employment to the worker. "When I explain all this to my workmen, they say to me, 'Yes, but you have got very rich'—a fact which, I regret to say, I cannot deny. 'It is perfectly true,' I say, 'but whose advantage is that? If I did not get richer I should not have money to invest; if I did not have money to invest I could not improve my works; if I did not improve my works I could not give you employment.' " Here are two implications: firstly, that saving to be effective *must* pass through the employer, and secondly, that there is no possibility of divergence of real interest between him and his workpeople. The first contention requires a great deal more proof than is usually given before it can carry conviction. One might argue that a Socialistic State could provide a fund for reserve and depreciation, etc., in the same way that a Joint Stock Company sets aside a certain proportion of its profits for future capitalization of the industry, or that, if wages were higher, the workers themselves would be able to save more. But the second implication in Sir Hugh Bell's words is more important and more interesting here.

That Labour and Capital have certain interests in common is a truism. These two together make up the community and without some uniformity of interest no community can exist. But in unduly stressing these elements of harmony we may be tempted to turn the blind eye to the conflict. This inclination is fostered by a use of general terms

without trouble being taken accurately to define them or to relate them to one another. The words 'Capital' and 'Labour' are used loosely as collective terms. Yet each conceals whole masses of individuals and groups ; and though one might show a very large degree of common interest between the two taken as groups, one would not necessarily prove identity of interest between the individual employer and the individual worker. For example, it is to the ultimate interest of the community that production should increase and that full use should be made of all the most efficient methods. But the dividends earned by big trusts through restriction of output show that the interests of the community and those of the particular group of producers do not coincide. In the same way, there may be and is a very real divergence of interest between groups of producers and groups of workers.

Good wages, short hours and a feeling of content on the part of the workers show their effects in the value of the work done, and in the consequent prosperity of the firm : bad trade means less remuneration for both employers and employed. Up to a point, that is, interests are more or less the same. The real cause of the estrangement must be sought in an analysis of their different positions in the industrial world. The employer occupies a more favourable position in the economic system, and, although not wholly free from external limitations, is in an autocratic position in relation to those in his employ. Even in his dealings with customers

he is able to exercise a fair amount of control over his own life and work. The consumers of his goods are such a scattered, disorganized body that the necessity to please their tastes and satisfy their desires is not felt as a yoke on his own wishes. He has an incentive to use his ability to the utmost, knowing that in the efficient organization of his business and his responsiveness to the market lies his hope of good profits. He arranges his own hours of work, and the conditions under which he shall do it. He does not feel rigidly bound but can develop whenever an opportunity occurs ; and if he loses, there is consolation in the thought that he is a responsible agent and not the victim of forces beyond his control.

But for the workman life is different. His life is arranged for him ; his work is generally monotonous and uninteresting, his wage is settled at a fixed rate which the greatest efficiency can vary within only narrow limits. Above all, he is haunted by the fear of unemployment and destitution. The very prosperity of his firm may mean his ruin. For if his employer introduces labour-saving machinery his skill may no longer be required. True, more efficient production is of advantage to the whole community if the benefit is passed on to them in the form of lower prices ; but for the group of workers—who, even if they are reabsorbed into the industry, enter as semi-skilled at lower wage and lower status—it is nothing short of a tragedy. Their bitterness and resentment are increased by the knowledge that they have no direction of those

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forces which are of such vast significance to them, and that their employer is guided in making his decisions, not by the welfare of the community, nor the effect on his workers, but by the calculation of the extra profits he expects to reap.

During the war it was often said that the comradeship of the trenches between officers and men would survive the return to industrial life. But one fact was overlooked—that in the trenches, whatever their rank, men had one common purpose, a common ideal. The men did not feel they were sacrificing themselves for something in which they had no share, and that their officers were using them for their own ends, but they believed that all would stand or fall together. In industry there is no reason for such a belief. Here one side does undoubtedly stand to gain by the other's loss. For after the point is reached at which higher wages do not react immediately on the efficiency of the worker, any rise in wages can come only by increasing the *proportion* of wealth that goes to the wage-earner in relation to the amounts received by others. As long, therefore, as industry is run to gain profits for those who own there must necessarily be this clash of interest, in regard to the methods by which wealth is produced and the way in which it is distributed.

“ Though a formal declaration of war is an episode, the conditions which issue in a declaration of war are permanent ; and what makes them permanent is the conception of industry which also makes inequality and functionless incomes permanent. It is the denial that

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industry has any end or purpose other than the satisfaction of those engaged in it." <sup>1</sup>

Industrial Unrest, then, would not be solved by establishing a minimum wage, or by raising the standard of life, or by shortening the hours of work. "It is not due to men's greed but to a growing sense of the meaning and significance of human life." <sup>2</sup> It is a passionate denial that men are only a means to an end; that they can be moved here and there, used, or thrown on the scrap heap by a despotic authority, motivated almost entirely by self-interest. It resolves itself, that is, into a growing demand for a change of status.

The plea for control, the insistence that a worker shall no longer be regarded as a cog in the machinery, has economic as well as moral justification. It is generally recognized that modern industrial communities do not produce their potential maximum, and that more could be produced without putting an undue strain on the workers. The reasons for this are manifold; natural resources are wasted, directors are conservative and unwilling to experiment, business management is unscientific, etc., but the fundamental cause, as so often in economic problems, is psychological. A man puts forth his greatest effort if two conditions are present: (1) if the work is suited to his particular capacities and tastes; (2) if he is able to identify himself with

<sup>1</sup> *The Acquisitive Society*. R. H. Tawney.

<sup>2</sup> Rev. Dr. A. J. Carlyle. Inter-Denominational Summer School, 1913.



the work. To maximize this psychological motive power is the central problem of production.

Impulse to increase one's personal productivity may come from the work itself, because the work is an expression of the individuality of the worker ; or it may be derived from the relationship between the work and the operator's personal aims and ambitions. The factory system has made the bulk of the work to be done of such a nature that it can appeal to none ; it is inherently dull and monotonous. And even where some element of skill permits interest, this is dulled by incessant repetition. For it is the characteristic of truly creative work that each unit of its expression is unique. But work which in itself has no attraction for the person performing it *can* be made to exercise a greater appeal by being brought into direct relationship with himself. That is, even if the motive is simply to increase productivity, the workman must be brought more organically into relation with his work ; so that the advancement of his industry becomes part of his aim in life. He must be brought into touch with the control and the government of industry so as to feel that he is not only *in* it, but *of* it, and able by his own efforts to make of it something, good or bad.

That a share in control will increase productivity directly—as well as indirectly through its psychological reactions—can hardly be doubted. Except in work of an absolutely automatic nature, or where the factory is “ scientifically managed ” (i.e. where every detail of the action is carefully thought out

and then taught to the operator), the line of separation between management and labour is extremely difficult to draw. It varies with the nature of the work that is being carried on. In certain industries and operations the worker must himself plan part of his work—the way he shall set about it and the specific tool he must use.

“ A group of miners who are cutting and filling coal are ‘ working ’ hard enough. But very little coal will be cut and the risks of the trade will be enormously increased unless they display some of the qualities of scientific knowledge, prevision and initiative which are usually associated with the word ‘ management.’ What is true of miners is true in different degrees of men on a building job or in the transport trades. They must exercise considerable discretion in their work, because, unless they do, the work does not get done and no amount of supervision can compensate for the absence of it. It is not, it may be suggested, a mere chance that workers in these industries should have taken the initiative in the movement for ‘ control.’ ” <sup>1</sup>

Men on work of this kind are not only receiving training in adaptability, gaining initiative and mental agility, but through being actually engaged on the process are enabled to think out invaluable suggestions for more efficient organization. Our system of national education, however inadequate we may consider it, has had remarkable effect in developing the capacities of the nation. To deny to the great bulk of those who have thus been educated any

<sup>1</sup> Foreword by R. H. Tawney. *Frontier of Control*. Carter L. Goodrich.

opportunity of using their powers is to waste the very greatest of our national resources. The Sankey Report on the Coal Industry puts this well and tersely :—

“ We are prepared to report now that it is in the interests of the country that the colliery workers shall in the future have an effective voice in the direction of the mine. For a generation the colliery worker has been educated socially and technically. The result is a great national asset. Why not use it ? ”

It is a commonplace that Englishmen are opportunists, that they decide upon a course of action not because it fits in with an orderly preconceived theory, but in order to attain a specific object, or right a specific wrong. It is natural, therefore, that the demand for control should not have come to birth full grown as the insistence on the right to the “ daily exercise of directive ability ” or to a “ participation in the direction of industry.” It springs from a dislike of authority arbitrarily imposed and, perhaps, tyrannically exercised ; and as it is in the individual workshop that the ordinary worker generally comes into conflict with the other side, it is in the workshop that the first bid for a share in management makes itself felt.

“ The demand for a changed status in the workshop is vital and immediate. It is in the workshop, in his daily life, that the worker actually comes up against the ‘ System ’ ; it is there that he actually meets and resents the arbitrary exercise of authority, by a management he has had no voice in appointing, in the execution of a policy he has had no opportunity of understanding or

influencing, and in the interests of that 'Capital' which he—mistakenly—regards as inherently his enemy." <sup>1</sup>

Fierce resentment against a bullying foreman, or an inconsistent or "fussy" manager, may lead to a fierce resentment of any managerial control at all; or a perfectly natural dislike of being watched at work may result in a general objection to "Policing," and a demand for the right of electing foremen or of arranging the work in one's own way.

For this reason the war saw a great increase in the number who persistently demanded a share in the regulation of their trades, and consequently a great increase in the number of works committees set up to provide the necessary machinery. For if work is being carried on in much the same way from year to year, it becomes very much of a habit, and the feeling of being actively controlled is thereby considerably lessened. During the war, however, changes took place very rapidly; men were shifted from one class of work to another, women were introduced into factories where they had never before been employed; methods altered quickly as experiments were tried to speed up production. The result was a continual stream of orders. Men were no sooner accustomed to one state of affairs than it was arbitrarily changed for some other—often, as it must have seemed to the workers, for no adequate reason; and this, coupled with the high tension at which people were working, led to a fairly general hatred of being "bossed." It is not by accident

<sup>1</sup> C. G. Renold, of Messrs. Hans Renold, Ltd., of Manchester, in *British Labour*, 1914-21.

that the strongest demand for workshop control comes from the engineers, for it was in their industry that the most rapid and most bewildering changes took place.

Works committees were, however, in existence before the war ; they are indeed, in a way, as old as Trade Unionism itself. There are always details of working conditions, etc., which are peculiar to the particular factory and which, therefore, it is difficult for the trade union to negotiate. The majority of unions have official " shop stewards " ; i.e. men who act as minor officials of the union at the works. They collect the weekly subscriptions from their fellow-workers, recruit new members, call shop meetings to discuss matters that are to go before the trade union branch, and in some cases are held responsible for the conduct of the shop according to rules. Naturally, the work of such shop stewards often extends beyond these functions. In many industries they are in the practice of making united representations to the management, e.g. suggestions as to allocation of work or extra payment for specially disagreeable tasks. For the most part this organization was in a very elementary state prior to the war. Often the stewards were representative of only one department of a factory and did not form a " works " committee ; often there were no arrangements for regular meetings or for elections to the committee. In some cases the committee had been formed on the initiative of the management and was composed of equal numbers of management and workers ; in other cases the

employer had suggested a representative council of workers to act in an advisory capacity on matters relating to sanitation, meal-times, holidays, etc.

During the war, the development of the power of the shop stewards was very rapid, particularly in the engineering industry. The number of men engaged in one factory was so large that gradually the union branches got more and more out of touch with the workers. And just at the moment when the number of war-time restrictions was multiplying, when the cost of living was soaring to fantastic heights, when the problems of dilution were most acute, the trade union leaders were more helpless than they had ever been. For the union leaders had voluntarily given up their most potent weapon when by the Treasury Agreement of 1915 they pledged themselves not to lead strikes;<sup>1</sup> and the shop stewards found themselves invested with much of the power that the official leaders had thus resigned. The movement was at first nothing more than an attempt to get by direct action concessions which the leaders were unable to negotiate peacefully. But the Strike Committee elected from among the various shop stewards remained in existence after the settlement of the dispute, and became, in part, the expression of a demand for control by the rank and file.

Men working together in one huge war factory were often organized in a number of different craft unions; yet their common interests in questions of

<sup>1</sup> Later made a legal prohibition by the Munitions of War Acts.

the introduction of unskilled labour, or of shop organization; necessitated concerted action. When conditions are changing rapidly, grievances arise in particular factories and are not necessarily general over the whole industry or even over the whole district. The Shop Stewards' Movement attempted to combine all the workers of one firm, whatever their grade, in order to 'give to the workers as a body more power in negotiating with the management. "The movement was an attempt to fit the structure of the labour movement to the structure of the industrial unit." Its chief object became to obtain "an ever-increasing control of workshop conditions," and was more successful in its achievements than any other body of workers has yet been. For the most part their success was not embodied in formal agreements. The shortage of labour was so great that employers were unwilling to risk stoppages by going against the demands of the shop stewards, and many matters were therefore submitted to them even though no formal agreement to do so was in existence. But this triumph was short-lived. When at the Armistice the demand for munitions ceased, and men were gradually drafted back from the forces, the labour shortage was no longer felt. When the men were no longer in such a strong economic position the power of the shop stewards was challenged and the engineering employers seemed anxious to take back the control that they had unwillingly granted. A crisis was reached when in the spring of 1922 the Engineering Employer's Federation locked out the

men on the question of the extent to which the workers should be allowed to "interfere with managerial functions." The two most important issues on which engineers claim control are overtime and the manning of machines (i.e. which grade of worker should be put to operate a new machine. The fundamental importance of this will be realized when it is remembered that each grade receives a different rate of wages).

The York Memorandum, signed in 1914, had provided that when a dispute of this kind arose there should be an endeavour to settle it in the works, with right of appeal, first to a local, and second to a national conference of both sides. This agreement was remodelled in 1919 when by the Shop Stewards' Agreement special recognition was given to the works committees, which were then empowered to act as the authority to deal with the dispute in the first instance. The dispute of 1922 arose on an interpretation of one of the clauses of this agreement—the decision as to the necessity for overtime—and the employers construed the refusal of the unions to accept their reading as a challenge to their "right to manage their own industry." They demanded, therefore, a recognition of the right of employers to institute changes in the workshop *before* they had been discussed by the authorities set up by the York Memorandum and the Shop Stewards' Agreement. The depression of trade was then very acute, labour was in a weak bargaining position, union funds were exhausted in the support of their unemployed—and the employers won. But



it is not likely that the workers will allow matters to remain in this extremely unsatisfactory position. The challenge of the employers has served, in a way, to make more definite the demands of the engineers, and to make them, perhaps, more eager than they would otherwise have been to widen their scope and to criticize the whole basis of the industry.

Except in the engineering industry the Shop Stewards' Movement developed very little. But war conditions and the new idea of the 'status of labour combined to speed up the establishment of works committees less advanced in character. Sometimes the strain of war induced conditions which made some sort of welfare work imperative. It was necessary to provide canteens and mess-rooms, arrange the shifts of work, reorganize sanitary accommodation because of the introduction of women workers, etc. ; and even to set up in many instances a welfare committee to represent the wishes of the workers. In other firms committees were formed to plan the social life of the masses of people suddenly thrown together, or to raise funds to help the dependents of fellow workers killed in action. Such committees brought together the representatives of different departments and evolved a tradition of concerted action, so that in many cases they grew into real works committees capable of discussing all matters relevant to the works, and authorized to meet the management for the discussion of grievances and likely remedies.

The constitution of works committees varies

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considerably. In some few instances joint committees exist, i.e. representative of both management and men ; but in most cases they are composed entirely of workers. The methods of election are of two main types. Sometimes each department or shop is treated as a constituency and elects a number of representatives according to its size. In other firms the shop stewards of the different unions represented in the works (or a number elected from amongst them) together form the committee. There are, of course, any number of variations of these two : election according to occupation, division of votes between skilled and unskilled, special representation of women workers, etc.

Even more varied than methods of election are the functions exercised by the committee in different firms. There are two limits to their power : the share of control in management permitted by the directors, and the share in bargaining allowed to the committee by the trade union—for the latter must obviously retain control over certain negotiations if standard wages and conditions are to be maintained. Between these two boundaries, however, there is a vast number of important questions that require discussion. Perhaps the most pressing of all the matters of which the individual workers desire control is the choice of foremen, for it is just there that the rank and file are brought into closest contact with the management. It is clear that a very large number of strikes are due simply to hatred of a bullying or hectoring supervisor. But for the most part the control exercised by the

workers is of a negative character. If a foreman's conduct becomes unbearable the men strike to enforce his removal, and it is, therefore, to the interest of a sensible manager either to exercise discretion in the appointment of a supervisor, or to arrange for his removal as quickly as possible when his unsuitability becomes apparent. In no case, at least in the big establishments where mass production is carried on, are the workers allowed actually to choose their own foremen.<sup>1</sup> The farthest point reached in this direction is to allow the works councils to discuss the appointments made by the directors and perhaps thereby influence the decisions. Messrs. Hans Renold, Ltd., of Manchester and Messrs. Rowntree & Son, Ltd., of York, both famous as exceptionally good employers, are two of the very few firms that allow their workers even this much share in the appointment of those placed in authority over them. In the same way the control over another matter of burning interest, the "right of the employer to sack," is mainly negative in character. Here the unions are quick to take up any case where there is a suspicion of victimization, i.e. where the worker has been dismissed not because of bad work or absenteeism, but because he is known to be a zealous worker for the union, or has political opinions of which the management disapproves.

<sup>1</sup> There are one or two instances of small, highly monopolistic crafts of which the members have the right to nominate their own foremen, e.g. Stuff Pressers' Society and the Spindle and Flyer Makers. And even here, as the industries get drawn into the big trusts, this privilege is gradually taken away. See *The Frontier of Control*. Carter L. Goodrich.

But there is a growing body of opinion both amongst employers and workpeople that this is a very suitable matter for reference to the works committee. Closely associated with this is the responsibility for good discipline in the shops, and here again there is a deepening belief that the works committee is the proper authority. Wherever this has been tried it has been attended with great success and has almost invariably resulted in better time-keeping and an improvement in discipline generally.

It is often thought that the workers always do all in their power to resist the introduction of machinery and to restrict output. But the ca' canny policy, i.e. the policy of deliberately "working slow," is nowhere expressed in a trade union rule, although amongst certain groups of workers it is an understood thing that just so much is a fair day's work and that to speed up will lead to a lowering of the piece rates or to unemployment. But it is not generally realized how eager are a large number of workers to see that the best methods are used. In some cases employees have a pecuniary interest in ensuring that appliances are up-to-date, because their output and consequently their wage can thereby be increased. In very many instances, however, their desire for improved machinery springs from a workmanlike disgust of seeing good material wasted. Thus many works committees include amongst their functions the discussion of suggestions made by the workers for the improvement of the technique. The miners' pit committees are famous in this respect for their continual insistence

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on a careful examination of the causes of loss of output, and their demands for better internal organization of the mines. As an example of the value of works committees' suggestions the following may be cited :—

“ The British Westinghouse Co. was considering closing down its foundry on account of the high cost of production. The works manager put the proposal before his shop stewards' committee. The committee objected and asked for two weeks in which to collect statistics of wages in other foundries in order to show that the high cost of production was not due to high wages. These figures were presented and indicated that the wages in the foundry were, if anything, lower than in competing ones. The committee argued that this showed that the trouble was one of organization and asked for another two weeks in order to prepare suggestions. At the end of that time the committee presented a memorandum on foundry organization—which the works manager described as the ablest he had ever seen, and the firm has decided to keep the foundry going and to spend hundreds of pounds in carrying out the committee's suggestions.” <sup>1</sup>

One of the arguments often used against the establishment of a works committee is that they tend to slow the pace of industry. Not only does discussion take time which might have been spent in the workshop, but it is felt that the committee will generally be opposed to changes in processes and thus apt to hinder the progress of industry and the increase of output. In practice, however, it has been found that the effect is the opposite. Time-keeping and discipline are improved, sugges-

<sup>1</sup> *Frontier of Control.* Carter L. Goodrich.

tions for improvements are often eagerly put forward by the workers, and the introduction of improved processes made easier. The time spent in discussion is not barren. It results in a net gain, partly because it prevents the much greater loss of time occasioned by disputes, partly because it brings into the works an atmosphere of friendliness and harmony, which necessarily reacts on the will to work.

## II

The movement towards workers' control has developed most with reference to a whole industry rather than to particular works. Trade unions in defence of their standard rates are forced to negotiate standard conditions also, to prevent the rates from being whittled down or evaded. They have, therefore, generally made agreements with employers' associations, and together established regulations governing the organization of the trade, methods of employment, minimum duration of employment, methods of wage payments, etc. For instance, many unions have agreements with the employers that only union men shall be employed, or that if trade is bad all shall go on short time instead of some being dismissed. Such agreements constitute a very real share in the regulation of industry ; but these rights have generally been conceded to the workers very grudgingly, and only after bitter fighting. The idea that it is actually a right, although vaguely a part of the psychological atmo-

sphere of the present century, has been only recently expressed. In certain industries, notably mining and iron and steel, an attempt was made early in the century to concretize the conception of labour as a partner in industry. By means of a sliding scale <sup>1</sup> of wages, fluctuating automatically with the selling price of the commodity, it was hoped to ensure to the worker a share in the prosperity of the industry. But although the scheme has continued in existence, it has gained little favour. Its main defect is its lack of elasticity ; for it assumes a definite and unchanging relation between prices and profits. Yet invention and improvement in technical processes ought to lower the cost of production and enable goods to be sold at a lower price. If wages are fixed by the selling price, the workers lose with every advance in efficiency. The basic rate may, of course, be altered, but this is always a difficult proceeding and leads to conflict. The sliding scale has, in fact, caused dissatisfaction to both sides. Employers dislike it because they know that high prices do not necessarily mean high profits ; prices may be forced up because of the increase in cost of one of the important raw materials. Workers dislike it because of its rigidity, and because it may pay an employer to undercut his rivals and contract for a piece of work at low terms, knowing

<sup>1</sup> This must not be confused with the " sliding scale " set up during the war to regulate wages in some industries, e.g. railways. This was based on fluctuations in the cost of living, and was an attempt to keep the *real* wage (as opposed to the *money* wage) stable. The scale mentioned in the text was an attempt to vary real wages as the prosperity of the industry rose or fell.

that *ipso facto* the wages of his employees will be lowered.

Although the sliding scale was a recognition of the partnership of the worker, it gave him no authority to decide how the industry should be run.

"The workman's position . . . became that of a humble partner. But he was a partner without any share in the management—without, in particular, any voice in that adjustment of the amount of production to the intensity of demand upon which the selling price of his product, and therefore his livelihood, necessarily depended." <sup>1</sup>

The illogicality of this position has long been realized, but it was not until the middle of the war that the further idea of allowing the workers some real measure of authority gained official sanction. The Whitley Committee appointed by the Government in 1916 "to make and consider suggestions for securing permanent improvement in the relations between employers and employed" published its first report the following year. The committee divided industries into three groups: (a) those in which organization is sufficient to be representative of all concerned; (b) those in which certain organizations of both sides exist, but are not fully representative; (c) those in which there is practically no organization at all. It was with regard to the first group that the committee developed the conception of workpeople as partners. They

<sup>1</sup> S. & B. Webb: *Industrial Democracy*.



suggested that these industries should each be invited to set up a triple organization—a National Joint Standing Industrial Council representing employers and employed of the whole industry, District Councils representing those engaged in the trade within a certain area, and Workshop Committees representing management and workers in a single firm. The relative amount of authority given to each of these was to be decided by the nature of the industry itself. Where the district was the recognized unit of the industry, the main authority might be vested in the District Councils, the National acting as a co-ordinating body. But where the district was not the unit, one body legislating for the whole industry was suggested, the District Councils being then allowed to exercise their authority more over minor details or to carry out in their areas the instructions of the central office. The committee recommended that the councils, being purely voluntary bodies, should themselves decide their own functions, but drew attention to a number of matters which seemed especially suitable:—

(1) The better utilization of the practical knowledge and experience of the workpeople.

(2) Means for securing to the workpeople a greater share in and responsibility for the determination and observance of the conditions under which their work is carried on.

(3) The settlement of the general principles governing the conditions of employment, including methods of fixing, paying and readjusting wages, having regard to the need for securing to the work-

people a share in the increased prosperity of the industry.

(4) Means of ensuring to the workpeople the greatest possible security of earnings and employment without undue restriction upon change of occupation or employer.

(5) Technical education and training.

(6) Industrial research and the full utilization of its results.

(7) The provision of facilities for the full consideration and utilization of inventions and improvements designed by workpeople, and for the adequate safeguarding of the rights of the designers of such improvements.

(8) Proposed legislation affecting the industry.

For the second group of industries a modified form of the same organization was recommended—it was suggested that Whitley Councils be set up, but in each case with one or two members appointed by the Government to act in an advisory capacity. For the third group an extension of the Trade Board principle was suggested, i.e. the setting up in each industry of the third type, of a Board composed of equal numbers of employers and employed, together with members appointed by the Government, with power to fix a legal minimum wage.

This Report met with a mixed reception. Certain employers who had been quite willing to *talk* about control, but who were nevertheless determined to maintain all authority in the hands of owners, were dismayed by the lengths to which they considered the recommendations had gone. Labour, on the

whole, approved ; but there was one section, small but exceedingly able and influential, who definitely opposed the scheme. These men were to be found mainly in the highly organized industries ; they felt that their unions already were able to negotiate on all the questions suggested as suitable in the report, and that to restrict the workers to a discussion on matters relating purely to the administration, whilst leaving in private hands the entire control of industrial policy, was to give the shadow of authority and not the substance. In fact, Labour, no longer content with merely regulating the ship's movements, claimed a voice in setting the course. More advanced opinion, especially the Guild Socialists, flouted the very idea of Joint Control. They felt that Capital and Labour are so ranged against each other in a conflict of interests that joint authority is an impossibility ; the two sides would be forced to compromise, according to their respective economic power, but they could never rid themselves of the mutual suspicion that poisons and kills coalitions of convenience. And they considered, therefore, that the only right solution lay in the workers' steady aggrandizement of the province over which they could exercise *complete* control. Those engaged in the Shop Stewards' Movement again, opposed the scheme because of their feeling that the Committee were trying to force into an official mould a development that had occurred with complete spontaneity. Their works committees had come into existence to meet a particular need, and there was a hope that, given favourable circumstances, they might

grow into something much bigger—perhaps even become the nucleus of the self-governing guilds. The suggestions of the Whitley Report that both management and workers should sit on the works council and that this should function as a minor authority under the appropriate National Joint Standing Industrial Council, if carried into effect, would kill any such evolutionary process.

Even among those sympathetic to the scheme there was the fear that, although it was to be purely voluntary, success might tempt the Government to make such councils compulsory for all organized industries, and use them to enforce compulsory arbitration. And the fear was also expressed by the public that, if such councils functioned well, they might become a menace to the consumer ; for it might occur to employers and workers to sink their quarrels in a joint effort to hold up the public for both higher profits and higher wages.

Generally speaking, the highly organized groups, e.g. miners, cotton workers, iron and steel workers, have not adopted the recommendations, and Whitley Councils have been set up mainly by the industries which fall into group (b). There are at present about seventy such councils, in addition to over ninety joint bodies on similar lines, covering in all about three and a half million workers. In most cases only the national section of the machinery has been set up ; and it is safe to say that no industry at all has yet adopted the full triple organization of National, District and Works Councils. Although as yet they have not given to the worker any great

increase in authority, it is too early to judge of their possibilities for the future. Certain of the councils have done valuable work in preparing reports, dealing with apprenticeship and education, while others have successfully co-operated with the Home Office in working Welfare and Safety Schemes. It is likely, too, that they will be of value in the future in administering Unemployment Insurance schemes. Under the Unemployment Insurance Act of 1920 <sup>1</sup> any industry is allowed to contract out of the scheme if it can work one at least as good for itself. In the plans that have already been drawn up by one or two industries, as, e.g., Match and Woollen industries, the National Industrial Council plays an important part as the administrative head of the insurance scheme. But the hope that workers would get an insight into the direction and finance of their industry has been disappointed, because the employers' side hardly ever consents to the discussion of these topics.

Yet, whatever the faults of the Whitley Councils, some such organization is an essential part of industry. It is sometimes assumed that if industry were communally owned and democratically governed, all the causes of unrest and bitterness would automatically disappear. But although there would then no longer be two sides with only the slenderest of bridges joining them, yet individual workers in

<sup>1</sup> This clause is at present suspended and remains so until the deficit in the Insurance Fund in the State Scheme has been made good. (The deficit is due to the great pressure on the fund owing to the widespread depression.)

any industry engaging (say) one million, would not feel their interests to be entirely uniform. Each small group—workers on one craft or process within the industry—has interests which are vital to it, but which are not important to the main body; and it is certain that there would be difficulty in convincing each unit that its peculiar interests were getting equal consideration with those of all others. To give no cause for suspicion in the workers' minds, it would be essential for those who were directing the industry (whether chosen by all the workers, or by the State, or by a council functioning on behalf of the community) to be able to meet representatives of each group on a common body. Such a joint body would be, in effect, a Whitley Council, with the important variation, however, that the employers' side would be replaced by the directors of industry working not for their private profit but the public good.

### III

It is important in discussing the workers' control of industry to make clear exactly what is meant by "control." As has been shown, practically all trade unions necessarily interfere in managerial functions in order to maintain their standard rates. But for the most part such control is negative; it amounts to little more than convincing the employer that his men will "down tools" if he performs certain actions. Similarly in all schemes where the workers are called upon merely to discuss and advise on certain suggestions put forward by the

management, the control is simply passive. Independent control is achieved only when the workers are able to initiate measures and when they are able to enforce their decisions. Such real control is to be found only in a few cases, as, e.g., the right of the Stuff Pressers' Society to elect their own foremen. But "real control of industry cannot be presented like a Christmas box." It depends on the will of the workers to set themselves to converting vague phrases into actions, to give their minds and their energy to devising and executing constructive policies. It is of no use for a few of the leaders, however able and however influential, to demand a share on behalf of Labour in the direction of industry, unless the rank and file are willing to devote themselves to the study of the problems that such direction implies. The ordinary workers must learn to elect as their leaders men able to carry out efficiently a policy collectively decided upon; and having once chosen them, must know how to follow them with critical loyalty. Unless this is achieved, the workers, while able to exercise negative control over the regulation of industry, over rates of wages, methods of payment and the like, will yet lack the power to direct industry, and the authority to formulate the commercial policy that at bottom conditions the workers' whole life.

## CHAPTER V

### UNEMPLOYMENT

#### I

BEFORE the war the problem of unemployment was considered the province of social reformers and of economists. It was only during periods of acute distress that politicians made it a topic of discussion ; and generally the revival of prosperity gave them once more the opportunity to breathe sighs of relief as they turned away from a problem apparently incapable of solution. But the unparalleled depression of the Peace Years, coupled with the realization of the part played in it by the international situation, has served to bring the subject into as prominent a position in political discussion as it has long held in social and economic. When close on 2,000,000 persons have remained unemployed or on short time for two years, it is natural that the cause of the catastrophe and suggested remedies become of such strong interest as to form the main plank in General Election platforms. Yet neither the causes nor the consequences differ essentially, except in degree, from those of other periods of distress.

Until fairly recently destitution was looked upon



as the result of inherent defects of character; the out-of-work was classed with the rogue and the criminal as pests of society, the implication being that any person could easily find a job if he made an honest attempt. But the fact that the main body of the unemployed is always composed of men, generally in work but temporarily incapable of finding a berth at the regular wage, showed the fallacy of this assumption. It would indeed be true to say that, far from being the *result* of individual deficiencies, unemployment and the fear of unemployment are themselves the most fruitful cause of innumerable wrongs, which defy extermination whilst their breeding ground is preserved intact.

The maintenance of a good standard of life is the necessary basis of all progress. It was shown in an earlier chapter that the welfare of society depends at least equally on the expenditure of income as on the way it is earned. One of the main characteristics of civilized life is the development of what Marshall calls the "telescopic faculty," i.e. the ordering of present actions in accordance with distant ends. But it is impossible to plan for the future unless the amount of money on which one can draw can be prophesied with reasonable certainty. The employee with his hand-to-mouth existence, with the knowledge that at any time his weekly wage may stop altogether, has neither the inducements nor the opportunity to spend his income in the way that is wisest and most socially desirable. He is forced to live almost entirely in the present, for the future lies with those who have it in their

power so to manipulate productive forces as to give or to withhold employment. His lack of economic reserve means that the inevitable result of even a short period out of work results in a lowering of his standard. Household goods are pawned to provide immediate necessities, rent and subscriptions to friendly societies fall into arrears, food must be of inferior quality, whilst any comforts or refinements of life are unattainable, and if the depression in the particular trade continues, the break-up of the home follows as a consequence.

The effects of unemployment are thus cumulative. Not only does the worker suffer privation at the time, but his physical efficiency is impaired; and despair and enforced idleness, broken only by the casual earning of a few coppers here and there, conspire to sap his moral fibre. So that, when work again offers, although he is certainly less fit physically (and possibly morally), yet on the wage he is again able to earn he has not only to support his family in regular necessities, but has also to redeem his goods and make up arrears of periodic payments.

It is the insecurity of the modern worker's life which more than anything else bars progress and culture. Parents oppose continued education and are anxious for children to begin earning as soon as possible, since an income drawn from several sources is naturally not as precarious as one dependent on a single breadwinner. For the same reason, women who would otherwise be willing to remain at home to create a real home-life for the family, are forced to compete in an already over-stocked

labour market, whatever the wages and conditions offered, because the unemployment of the husband and father makes some outside work imperative. The worst conditions have always been found in those industries which draw their workers from amongst the wives of casual and unskilled labourers, whose employment is chronically irregular.

It is natural that a catastrophe which brings so many evils in its train should be regarded with the greatest fear by its victims, and that it should supply the motive for certain actions and preventive policies. The ca' canny policy of some of the trade unions has often been criticized ; but this is only one expression of the general belief in a limited market for labour, which has been forced upon union members. If a worker knows that at the completion of a particular job or contract, his employer will have no further use for him, it is sound tactics on his part to endeavour to make the work last as long as is possible, by not working more quickly than is essential to retain his position. To condemn such an action is absurd. What is necessary is to find the reason for this fear of dismissal, to discover why it is that, in a densely populated world, with wants that are continually increasing and never satisfied, it should be possible to find a large number of able-bodied, skilled and willing workmen for whose services there is no demand.

At first sight it seems hardly necessary to seek very far for an explanation of the widespread depression of trade that is at present causing the unemployment of millions. The country has been

engaged in a war of unprecedented dimensions, in which a large amount of capital was destroyed ; industries, organized on a war basis, have now to struggle back to catering for a civilian demand ; a vast debt was accumulated, the yearly interest on which requires heavy taxation. It is natural that the resultant poverty of the nation should lead to a slackening of demand. Such a statement, however, fails to penetrate beneath the surface of the problem. The war has, of course, left its mark on industry, but it has done so by exaggerating to an enormous degree more or less normal characteristics, rather than by actually creating new ones.

From an examination of the industrial history of the last century there emerges the fact that industry has, for that time, been subject to fluctuations in prosperity more or less regular in nature and duration. This rhythmical change in business activity has certain well-defined features. A period of good trade, rising prices, easy credit and full employment is brought to an end by the realization that more is being produced than can profitably be sold. Banks draw in their credit, firms race one another in lowering prices to capture what portion of the market remains ; production is stopped and workers dismissed until the glut has been absorbed. Gradually, as this surplus is drawn off by consumers, demand revives, firms begin tentatively to produce, and gradually business becomes active again. The whole cycle usually lasts about ten years.

To find the cause of this cyclical fluctuation is, however, very much more difficult than to describe

it. The fact which stands out above all others is that for some reason the consumption of goods fails to keep pace with their production, so that there is piled up a mass of commodities which finally clogs the wheels of the industrial machine. This is sometimes denied, because it is maintained that, as human wants are insatiable, over-production of one class of article may occur, but general over-production is an impossibility. It does seem paradoxical to attribute a depression in trade to over-production when there are millions without sufficient food, clothing, shelter, recreation, etc. But it must be remembered that goods are produced to be sold ; and if the price offered is not sufficient to afford a profit to the organizer of production, he will shut his factory or workshop, and wait until the shortage of goods becomes so acute that people are forced to offer more in exchange for his commodities. In this way, then, one can speak of general over-production of goods.

How does this happen ? Why is it that goods accumulate more rapidly than the community can absorb them ? The answer must be sought in a number of circumstances which can for convenience be summarized here : (a) The unequal distribution of wealth which results in a disproportion between investment and expenditure. (b) The speculative element in industry. (c) The control of business activity by thousands of independent entrepreneurs. (d) The dependence on credit as the basis of all transactions.

If the community invariably consumed immedi-

ately the total of what was produced, economic progress would be impossible. All the economies of specialized machine production would be barred if it were not that people refrain from using up all the wealth produced but save some to make new kinds of machines, build roads and factories, etc., in order to produce more easily in the future. The savage who one day saved half his food for the morrow and spent the time in fashioning a weapon, was thereafter able to get his living more easily than if he had, as usual, eaten up the last mouthful, and so had been forced for the next day to hunt for his food without the help of the weapon. In the same way, in modern industry, men save part of the wealth they have made and with it fashion tools which help them to produce a bigger quantity more quickly than before. And in this way they gain leisure for other things than forcing a living from Nature. More varied wants, spiritual and mental, as well as physical, are given space to develop and opportunities of satisfaction. There is, however, a limit to the amount that can be profitably saved and used for future production. If the savage becomes fascinated by this idea of postponing his enjoyment and puts himself for a long time on starvation rations while he makes a still more wonderful weapon, he will later be able to get a vast quantity of food ; but he will be so used to eating little that, unable quickly to accustom his digestion to the feasting, he will be forced wistfully to watch the piled-up food rotting away.

This again is what happens in industry. The

wealth that is produced is distributed amongst the members of society in very unequal proportions. Mr. J. M. Keynes, writing of the world before the war, says :—

“ While there was some continuous improvement in the daily conditions of life of the mass of the population, society was so framed as to throw a great part of the increased income into the control of the class least likely to consume it. . . . On the one hand the labouring classes accepted from ignorance or powerlessness, or were compelled, persuaded or cajoled by custom, convention, authority and the well-established order of society into accepting, a situation in which they could call their own very little of the cake that they and Nature and the capitalists were co-operating to produce.” <sup>1</sup>

The great difference in income between the various classes results in the wage-earning majority's having insufficient for anything but a low standard of life, whilst the small class of capitalists and landowners receive so much that it is difficult for them to spend the whole of it. Even if they could find other luxuries on which to spend the surplus, the extra satisfaction thus obtainable is so little that it is preferable to invest it in something which promises even greater wealth and power in the future. The result is that more and more surplus income gets invested, and the capacity of industry to produce commodities becomes even greater. During a boon it is always the capital or constructional trades, building, engineering, shipbuilding, etc., that are busiest. But when the increased quantity of goods

<sup>1</sup> *Economic Consequences of the Peace*, pp. 16, 17.

comes to market it is found that too much has been produced. The public, like the savage accustomed to starvation rations, is used by long years of habit to a particular demand for goods, and cannot easily alter it. There is no part of life in which custom exerts a stronger influence, in which people are more conservative, than in the ordering of their daily lives. Particularly is this so with those of small incomes, for they are generally allowed so little exercise of choice in the goods they purchase, and time is necessary before any change in the routine demand can be introduced. When manufacturers find stores of goods accumulating in their warehouses they lower prices, and as demand cannot immediately expand sufficiently, panic ensues, prices come tumbling down, and producers call a halt. Many thousands of workers are turned off, the wages of the others are reduced ; and thus not only are there more goods, but there is less ability to buy.

If there were some superman, capable of envisaging the whole world, able to foretell the resources of the future, the numbers of the population, the likely fashions and whims, and, therefore, the probable demand of even a few years ahead, he would, provided he were invested with the requisite authority, be able to decrease the violence of fluctuations by dictating each year the quantity of wealth that should be saved and re-invested. But actually there is no such accuracy of prophecy possible. Specialization in industry has made production more roundabout in the sense that a longer time elapses between the growing of the raw material and the selling



retail of the finished product, and also in the sense that an article in the processes of production goes through a very much larger number of hands. Two difficulties are thus introduced. Firstly, much knowledge is required in order to anticipate intelligently the probable demand of a few years ahead : and there is thus inevitably a highly speculative element in all businesses. Secondly, as each entrepreneur, responsible perhaps for the organization of one or two processes in the complete production, is anticipating independently of all the others, there is ample opportunity for mistakes, for irrational judgments, for calculations based on rumours or incomplete facts.

Some favourable circumstance—a good cotton crop, or simply a revival of demand owing to the absorption of the glut—results in merchants negotiating for the re-stocking of their warehouses. Manufacturing firms place orders for machines, ships, fuel, etc. Transport industries become active in carrying these and anticipate a still larger demand for their services as the finished goods require moving. Workpeople are in demand and their increased purchasing power induces industries supplying their wants to work at greater pressure. But this new demand cannot easily be met. During the depression building and the constructional trades have stopped, machinery has been allowed to depreciate, etc., so that the shortage of goods leads to a quick rise in price. A rise in price promises good profits and manufacturers, pointing to their happy prospects, are able to get easy credit

from the banks. This, in its turn, adds to the number able to purchase, and sends prices up still farther. A general spirit of confidence and an orgy of investment are the result. Many, without any knowledge of trade or any capacity for estimating the demand, rush into business without considering whether there will be a market for their goods. And the boom is well under weigh.

A more equal distribution of wealth would decrease the violence of fluctuations in two ways. By cutting off the surplus of the rich and adding to the incomes of the poor it would give to the latter possibilities of a more elastic and flexible standard of life, and would enable them to consume their proper share of the goods produced. At the same time, the rich would not have so much surplus out of which to invest without regard to the future demand. Secondly, in thus pushing up the general standard of life of the mass of the community, the speculative element in industry would be considerably reduced. For a greater portion of the resources of the country would be utilized to provide for general necessities, the demand for which is always more stable than is that for comforts and luxuries.

Nor need fears be entertained that, after cutting off the surplus of the rich, from which at present most capital is drawn, an insufficient amount will be saved to meet the real needs of industry. The higher (and particularly the more regular) the standard of life, the greater the inducement to think of the future and attempt to provide for it, the keener the resolve to educate the children, and the quicker the growth

of the deliberate desire to put by some part of the income as an investment for the future. So that, although capital could not be drawn from a few very big incomes, enough could undoubtedly be collected from the much greater number of smaller amounts over the whole population.

Just before the outbreak of war in 1914 there were signs that a cyclical depression was imminent. Feverish activity was the characteristic of the business world, and it was evident that the vast accumulation of stocks was beginning to cause apprehension. The war, however, postponed the depression. For, at the moment when, normally, demand would have weakened and prices accordingly have dropped, there came into the market a purchaser with, apparently, the purse of Fortunatus. Whatever the quantity produced, the belligerent Governments would have bought it up and asked for more. Nor was there any cavilling over price. Had the Government first taxed very heavily and thus diminished the purchasing power of ordinary citizens before making their own demands, prices would not have risen so sharply. But as there was comparatively little taxation during the war, the insatiable Government demand, added to the normal civilian demand, resulted in fierce competition for restricted supplies, and, consequently, in soaring prices. The Governments, faced with the necessity of paying for their purchases, and afraid to tax, printed, or allowed the banks to print, vast quantities of paper money and were thus relieved of all fears of inability to pay. And, with no need to count the cost as

the printing presses could easily provide more money, there was inaugurated a period of wild buying, of wild producing and of wild investing.

“Economical handling of goods, careful purchasing and selling, became secondary matters. Production at no matter what cost, distribution by roundabout and grossly expensive routes and sale to the Government on a cost plus basis became the standard. Many of our best staff went soldiering, both principals and subordinates, and the traditions and efforts of the remainder went down under the weight of war methods. There was little dishonesty—but much of easy results and still easier gains. Then came peace and the post-war boom, when a sure way to success was buying things lavishly and regardless of price, certain that a profit would accrue by holding. Old hands were amazed at the ease with which money was made and, worse still, new ones thought it natural. Business reputations were made and concerns rose and flourished in an atmosphere of expensive new offices, over-loaded boards, and limousines as necessary part of the machinery; their finance and standing charges were in accordance with the profit.”<sup>1</sup>

As undreamed-of profits could be made despite extravagant methods there was little incentive to good and efficient organization; and the effort to conceal the extent of the gains both from the Chancellor of the Exchequer and from the anger of the workpeople, led to unnecessary expenditure on plant and buildings, on the buying-up of smaller firms not really required in the industry, and on the very great over-capitalization of industry by the issue of bonus shares.

<sup>1</sup> R. D. P. in *Manchester Guardian*, Commercial Reconstruction Series, No. 12.

Gradually some Governments, awakening to economic realities, began to cut down expenses, to ban new schemes and to stop the further printing of paper money. The result was the arrest of the upward flight of prices and a panic to get rid of stocks before prices were forced lower. The wasteful and extravagant methods of production fostered during the boom did not make it easy to lower costs of production, whilst the disproportionate increase in capital on which dividends had to be earned added to the difficulty.

The Peace has also made recovery more remote. During an ordinary cyclical depression there is generally the certainty that, given time for the glut of goods to be disposed of, demand will revive and industry once more become prosperous. Yet on the heels of a war that beggared most of Europe, destroying its resources and killing its credit, came the Peace that has riven apart areas which should economically be closely united. Impenetrable tariff barriers have been set up between countries whose life demands free trade ; a spirit of military adventure and hot-headed Chauvinism has kept the war-embers alive ; Reparations policy has veered and hesitated. The cumulative result is that Europe lies in a fever of flux and chaos, such as makes it impossible for her to do business.

Trade, and particularly international trade, is based on confidence—on confidence of both buyer and seller that the other will punctually discharge his obligations. But when half the world is bankrupt, with little hope of recovery, and working with

a continually depreciating currency, such trust is no longer possible. A man may have goods to sell, another be willing to buy ; but, by the time the bill is paid, exchanges may have moved so violently that a fair profit is knocked into a staggering loss. In addition, the more depreciated the currency of one country the less is it able to buy the goods of another since the price to be paid, translated into the good currency, would be prohibitive.

The present unemployment is thus the result not only of a greatly exaggerated cyclical depression, but of the political situation of Europe. And recovery must inevitably be postponed until international affairs have been placed on a more settled footing.

## II

Cyclical fluctuations in business activity do not however account for *all* the variations in the demand for labour. There are other causes, less dramatic in effect, but very important in their total influence. Unemployment may be said to be due to the fact that, whereas the supply of labour over a short period is more or less fixed, the demand for labour varies continually. At any one moment there are not only just so many people of working age alive in the world, but these people are specialized into different crafts, trades and occupations. It takes time either to add to the total number of adults alive (since some years are required before a new-born child reaches working age), or to add to the number of workers qualified to engage in any special

trade (for training and experience take, at least, some months to acquire). And similarly, one cannot reduce either the numbers actually in existence, nor, without considerable effort and dislocation, the numbers seeking for work in one particular industry. But industries are not static. They are continually changing, affected by such things as the demand for other goods (which may draw off some of their customers), by the supply of raw materials, new methods of manufacture, and a hundred and one other factors which influence their week-to-week requirements of labour. Of these variations some are so regular as to be capable of fairly accurate calculation.

Practically every trade is subject in differing degrees to seasonal fluctuations. Very rarely could any industry be found which would show the same amount of business done each month of the year. Almost always there is a gradual rise until the period of greatest demand is reached : and is followed by a gradual falling off in sales. In some industries this rise and fall is so strongly marked that the name "seasonal trades" has been given them. This variation in business is due partly to climatic and partly to social causes. Because more coal and gas are needed in the winter the demand for the labour that produces those commodities is greater in that part of the year. Building operations are more difficult in the winter ; house decoration is required generally in the spring, at the beginning of the clean weather ; clothing business booms in the spring and autumn, when all are replenishing their ward-

robes ; harvesting, fruit-picking and hop-picking can be carried out only at special seasons of the year. Christmas, the time of festivity and of present-giving, is responsible for an increase in the production of gift articles in the months before, and requires the extra services of postmen, transport workers, waiters, etc. Custom enjoins the publication of books mainly in the autumn, so that printers and binders are much in demand in the period immediately preceding.

To reduce the unemployment caused in this way is exceedingly difficult, for social conventions seem as unalterable as the seasons. But although one cannot easily prevent demand concentrating at one moment, there is no reason why the production of the necessary goods should not be spread over a much larger period. It is sometimes maintained that working overtime for one part of the year and being unemployed at another balance one another. But this is not so ; for the strain of working at high pressure for weeks on end is not relieved by another period of no work at all, especially as the second period is workless only in name, and is rather one long, weary effort to get employment. The loss of wages, too, means less nourishment, clothing, etc., so that the out-of-work weeks, far from acting in a recuperative capacity, simply add to the effects of the strain of over-work. Where the goods are of the sort that can be kept in stock (i.e. where they do not depend on a quickly changing fashion, or are not perishable), the strict enforcement of the eight-hour day would do much to spread employment



more evenly over the year, and thereby prevent both the strain of overtime and the ill effects of unemployment.

In some trades tentative efforts have been made towards reorganization, e.g. the White Sales of January are an attempt to keep in work the shop assistants and allied workers in the drapery trade during what is usually the slump period between the frenzy of Christmas and the beginning of the spring demand. In other cases, two trades have been joined together, as, for example, the winter felt hat trade and the summer straw hat trade. And often men who make bricks during the summer are employed in gasworks in the winter. But a great deal more examination is required of the possibilities of dovetailing trades into one another and drafting men from one to the other as necessity demands. At present this happens in a very casual way, men drifting into the country for the fruit and hop-picking seasons and back into town to get unskilled labouring jobs in the winter.

There are other variations in the demand for labour which, unlike these seasonal ones, cannot be anticipated. A strike in another country, or the failure of a wheat or cotton crop, may throw thousands in England out of work. A storm at sea may prevent a ship coming into dock at the expected time and hundreds of dockers must be turned away from the gates. Fashion decrees that knitted garments shall be worn, and the hosiery trade expands at the expense of the ordinary cloth industry. New machines are introduced and gradually displace

the old, throwing permanently out of work those who manned the old type. A whole industry declines, and although its place is taken by another and more virile one, the skill demanded of the worker is not the same.<sup>1</sup>

The consequences of such variations are enormously exaggerated by the lack of mobility of labour. Not only do trades as a whole fluctuate, but the firms within the trade have differing fortunes. One firm, through luck or through the enterprise of an energetic manager, develops its sales and expands its production. Another, unable to adapt itself to quickly changing circumstances, or perhaps in the charge of one not pricked on by ambition, begins slowly to decay. The first requires more workers, the second less. The obvious arrangement would be for the dismissed labour to find work with the expanding firm. But it is much more likely that, instead, the latter's demand for more workers will attract fresh persons into the trade, so that although the total amount of labour demanded remains the same, the number competing for the jobs has increased.

Many circumstances combine to produce the general immobility of the worker. Ignorance of where jobs are to be found leads often to an unsatisfied demand for labour in one district, whilst in

<sup>1</sup> The decline of horse-drawn vehicles in favour of automobiles has made the Horse and Cattle Forage business a declining trade and has also replaced the work of the coachman and the harness manufacturer by that of the mechanic, the chauffeur, the maker of motor-accessories, etc., etc.

another men qualified to fill the posts are walking the streets. Even when a worker knows of a job the lack of any guarantee as to its permanency makes him unwilling to apply for it if it would necessitate removing his home. Not only does this involve heavy expense at a time when he is least able to bear it, but, since the war, the serious shortage of houses has acted as a great deterrent to moving into another locality, where the expense of lodgings would have to be incurred. The new berth, too, may offer itself in a place where there are no openings for the children or the wife, so that although the man's earnings may be quite good, the family position is worse. Families are, also, naturally conservative. Having rooted themselves in one place, among a circle of friends, in club, society, or church, they shrink from transplantation to a new area where they must make the fresh effort to establish themselves in normal social life.

When the urgency of finding work necessitates moving not simply from one place to another but from one occupation to another, the difficulties are even greater. Large-scale production is economized only because each process can be highly specialized and standardized. And advantageous as it undoubtedly is from this point of view, it has its drawback in so far specializing the labour employed that adaptability is lost. A boy enters a trade at a low wage hoping to get a training which will make his future safe. Years later a revolution in methods of manufacture, the discovery of a cheaper substitute, or some other unforeseen development makes his

services a drug on the market. The best workmen suffer most in such cases, for they are unused to looking for work ; and, unable quickly to adapt their skill, they drift from the status of the self-respecting skilled artisan with a decent standard of life to the low level of the casual labourer.

This crystallization of human energy into different forms should forbid the stressing of technical education in the schools at the expense of liberal and cultural studies. A child who is forced to choose his future career at the early age of fourteen, and is then taught the elements of the work in school, may as a youth have a better chance of a job, for the employer is saved the trouble and expense of training him. But industry moves very rapidly, and twenty years later, when, probably, he is married with a young family, when his financial responsibilities are heaviest, his skill may no longer be in such demand. Unable to learn a new trade, his standard of life is lowered just when it is most important that it should be maintained or improved. A cultural education, on the other hand, sets free the faculties of the individual. By educating the child as a human being, and not as a potential factory worker, it develops in him adaptability, initiative and a general mental agility, which will enable him not only to acquire more quickly the requisite skill required in the workshop, but also to turn his attention to other forms of work should necessity arise.

That this is the effect of better education was shown during the war when women with little or

no experience of industry were forced rapidly to take the place of men. "For employment as skilled mechanics, many employers deliberately selected women of secondary education who had no previous industrial experience."<sup>1</sup>

The mobility of workers from trade to trade is further hampered by the demarcation rules of many trade unions. Men are not allowed to undertake any other work than their own special job, bricklayers not permitted to do work of plumbers, etc., and it is not often worth the while of the worker to change from one union to the other in order to be permitted to accept the work. Unemployed and sick benefits are paid by unions at different rates according to length of membership; and a man in leaving one union for another forfeits one set of benefits, and does not for some time qualify for the same rate in the new society. The very great growth of amalgamation and federation now taking place in the Trade Union world is likely to effect a considerable improvement in this respect.

### III

An attempt was made in 1909 to increase the mobility of workers and prevent the wastage of unnecessary employment. In September of that year

<sup>1</sup> Barbara Drake, *Women in Trade Unions*. The same point was continually emphasized in the evidence given before the War Cabinet Committee on Women in Industry, e.g.: "High School girls were selected to do fitting and turning because they have intelligence. You would never dream of putting the ordinary woman who has only got through the lowest classes of the Board School to do fitting and turning, you will put her on labouring or on a machine that is absolutely fool-proof."

an Act was passed establishing all over the country Employment Exchanges, whose object was to bring together employers wanting workers and workers seeking jobs. The lack of success of these exchanges is partly attributable to a series of setbacks that they have suffered. Almost before they had begun to function, an unlooked-for burden was thrown on them by Part II (the Unemployment Insurance section) of the Insurance Act, 1911. Three years later, as they were beginning to feel their feet, the outbreak of war not only dislocated their staffs but imposed on them extra problems in relation to the mobilization of national resources. In 1918 difficulties of demobilization had to be solved, while later still the Unemployment Insurance Act of 1920 involved a great volume of extra statistical and clerical work. Yet even taking into consideration the lack of time for adequate organization, the exchanges have not done even as much as could have been expected.

That some such type of machinery is necessary cannot be doubted. Trade unions can give their members necessary information about vacancies in their own trades, but they have no power to learn of vacancies in other occupations for which their members might be suitable. And, moreover, not all workers are organized. Only some establishment which is controlled by a central office can ensure the efficient interchange of information, so that all berths are filled at the earliest possible moment. But it is equally essential that such a bureau should be well run and adequately staffed. The Committee of

Inquiry into the work of the Employment Exchanges, which reported in 1920, criticized very adversely the personnel of the exchanges and recommended a complete regrading. The officials have no knowledge of the industries of the district, nor of the qualities required to perform the work of them. Their ignorance of social conditions unfits them to act in an advisory capacity: and applicants are therefore sent to jobs for which they are quite unsuited. The blame for all this lies not entirely, nor even mainly, with the officials themselves, but rather with the Ministry of Labour, which has not yet realized the necessity of attracting, by adequate salaries, trained efficient workers to this profession. The very large amount of clerical work entailed in the administration of the Unemployment Insurance Act, and in the compilation of statistics for the returns to the Ministry, leaves little time even to the best officials adequately to perform the task set them. The Employment Exchanges will not work successfully until salary and conditions are such as to make possible an insistence on a good knowledge of social and industrial conditions on the part of the officials. The careful carrying out of their functions will automatically remove one of the present difficulties—the negligence of the employers in not notifying vacancies. When the exchanges get a reputation for speed and efficiency employers will be only too willing to avail themselves of their services.

But even knowledge of where work is to be found will not materially increase mobility if other obstacles

remain in existence. The difficulty of removing from one locality to another could be considerably decreased by a constructive housing policy, but there would still remain the very natural dislike of leaving one's friends, and the fear of losing chances of employment for the rest of the family. Here one must look for relief to speedier and cheaper communication. There is no reason, other than the expense and slowness of travelling, for a man's being forced to live near his work. It is, in fact, both healthier and pleasanter to live at some distance, so that the leisure hours are free from any association with the work of the day. Better communication would both enable a man to live where he likes and greatly widen the area in which he could profitably seek employment.

Much also needs to be done in guiding the child when he leaves school. At present a boy generally throws himself into any chance job that offers when the time comes for him to begin work. The low wages of the parents makes them look forward anxiously to the moment when the child will contribute to household expenses, and often comparatively highly paid work which leads nowhere is chosen instead of that which makes up for low payment by giving a training. When the boy in the "blind alley" trade is old enough to demand an adult wage, he is dismissed in favour of the latest comers from school, and is thrown on the world with no trade or skill with which to earn a man's living. Good work has been done here in an advisory capacity by Choice of Employment Committees, working under



the local education authorities, and by Juvenile Employment Committees working under the Ministry of Labour. But here, too, the officials are not always those best suited to the task. There is not close enough co-operation with teachers, club-leaders and others who are in intimate and continuous contact with the children, who know better than an official who sees them once, their qualities, capacities and limitations, and who, by their advice, could save much fruitless effort and wasted energy. Those who have spent time working amongst adolescents lay great stress on the necessity for an interviewing committee whose object it should be to discover privately, and sympathetically, the work for which each child is specially fitted.<sup>1</sup>

But such work, valuable as it undoubtedly would be, has limitations. It is difficult to urge parents to train their children well when the family wage is so small that the extra earnings are needed. The solution of this problem depends, therefore, on the maintenance of a much higher and more stable standard of life. Nor is it possible for advisers, however keen and far-seeing, to know what revolutions in methods of manufacture may take place in future years. The best possible safeguard is more education.

The reorganization of the machinery of the labour market may prevent wastage due to ignorance and may help in the task of keeping square pegs out of round holes ; but it leaves unsolved the more

<sup>1</sup> Cf. Inquiry conducted by National Organization of Girls' Clubs.—*Club News*, 1921.

difficult and pressing problem of providing actually more jobs. In some trades, notably cotton and coal, there has been followed for many years the practice of "going on short time" during a depression, i.e. every one works for fewer days, instead of some being altogether out of work. During the present slump this plan, has been usual in most industries. But fewer days work means less earnings, and as wages *rates* also fall when trade is bad, the short-time earnings are very low. To half starve all workers instead of completely starving only a percentage of them can hardly be regarded as a solution of the difficulty.

A favourite proposal is that the public authorities should help to stabilize the general market by withholding their demand when trade is booming and by increasing it as the depression commences. Local and national authorities enter the market as big purchasers of stores, for ships, for housing and afforestation projects, for the making of roads and harbours, for the building of schools and offices, etc. The Minority Report of the Royal Commissioners on the Poor Law suggested that these authorities should put aside a certain sum annually to be expended in these necessary purchases at a time when the percentage of unemployed rose above the normal. It should be emphasized that this is not intended as relief work, but as a normal demand to be contracted for in the ordinary way. Not too much stress, however, must be placed on such action. It is very often exceedingly unwise to allow of the postponement of necessary public work, such as the

erection of school buildings or the making of important communications. Also reliance on such a remedy assumes that the members of public bodies more than the rest of the world have the opportunities or the capacity to see the approach of a boom and the subsequent depression.

“ Does not the proposal require that these authorities should be more level-headed and foreseeing than private persons and institutions, whereas the observed fact is that they are less so ? Representing the majority, they are likely to launch out further in time of boom and draw in further during depression than the whole mass of business men, which contains a number who can and do act in prudent disregard of prevailing sentiment.” <sup>1</sup>

But while it is expecting too much of the majority of public authorities to exert this wise restraining influence, the country has a right to look for more constructive thought from the Government, which has at least the opportunity of consulting the more “ prudent men.” Yet during the post-war depression the actions of the Government have served only to exaggerate the violence of the fluctuation. Just as during the period of rising prosperity the constructional trades are the first to boom, so too during the depression it is those trades which suffer most. For people must spend their reduced incomes in maintaining the normal standard of life, and have therefore a less amount to invest for future production. Thus at present <sup>2</sup> the following six groups of trades account for more than half the unemployed :

<sup>1</sup> Dr. E. Cannan, *Economic Journal*, September, 1922.

<sup>2</sup> April, 1923.

|  |         |
|--|---------|
| Engineering and Ironfounding                           | 203,016 |
| Shipbuilding   | 107,570 |
| Iron, steel, etc.                                      | 106,768 |
| Building construction, bricks,<br>sawmilling, etc.     | 171,847 |
| Coal   | 43,745  |
| Transport (sea, docks, canals, road)                   | 94,339  |
| i.e. 727,285 out of a total of 1,303,476. <sup>1</sup> |         |

There is at the moment no more pressing need than an adequate housing policy. It is estimated that at least 70,000 houses must be erected annually to keep up with the growth of population and the decay of old houses. Practically all building stopped during the war ; and after the Armistice the boom, assisted by the inflation of the currency and the growth of monopoly control, sent prices so high that it was impossible to build at a price which a workman could afford to pay in rent. As a result 500,000 houses are required at once if the deficiency is to be made up. The depression when prices are lower should be the opportunity snatched by the Government to put forward its housing policy, not only as a social necessity, but also as an "economy." Yet actually the Government competed for labour and materials during the boom (thus helping to send prices up), and abandoned its policy when the depression started (thereby sending prices down still farther).

The development of roads and bridges was also checked by the war. An extension of this work

<sup>1</sup> This number does not include the unemployed in trades that are not insured, nor those on short time, nor those who have exhausted their right to unemployment benefit.

would both help to relieve unemployment now, and, also, to prepare the path for the revival of trade, which, as matters stand, is likely to be impeded by lack of good communications. The Road Board makes grants to Local Authorities for this purpose, but the conditions of the grant detract from its advantages. As road-making is regarded definitely as "relief work," the out-of-works of other trades are employed instead of those men who are specially qualified for constructional work. It cannot be too strongly emphasized that relief work of this kind is wasteful in the extreme. By employing men who, however skilful at their own trades, are inefficient in this work, the cost is greatly increased. The men have no interest in work which they feel has been "made" only to avoid the appearance of their getting something for nothing. But a truly constructive policy would stimulate the capital trades, in which unemployment is worst ; and by increasing the purchasing power of the home market would be of advantage to all other industries. At the same time there would be an added advantage in making, while prices are low, the houses, roads, etc., which will inevitably have to be built within the next few years.

#### IV

Increase of mobility, better education and a wise Government policy can greatly lessen the volume of unemployment ; they cannot altogether abolish it. As long as industry is not static, as long as wants change and production alters to meet the new

demands, however smoothly the industrial machine works, there must be transitional periods of unemployment whilst workers move from one place or occupation to another. Again, certain demands tend to concentrate at differing times, and production cannot always be spread evenly over the year ; and these facts necessitate a reserve of labour which can be fully mobilized while trade is booming, but which at every other time is only partially employed. Whatever the organization of industry, the existence of such a margin of labour is inevitable. In modern industry, however, it is very much larger than it need be, particularly in certain occupations. To take the most striking illustration, docks, where employment is almost entirely casual, maintain an overwhelmingly large reserve. Men are taken on for a four-hour shift but have no guarantee that they will get first chance of further work. Consequently many more than could ever be employed crowd to the dock gates in the hope of getting at least half a day's wages. Thus partial and very uncertain employment is given to a host, instead of full and more secure employment to a much smaller number. But even decasualization of dock labour (i.e. the introduction of some method of selection so as to afford more permanency of employment) would not abolish the reserve. Dock work, more than most, is subject to uncertain fluctuations. A storm at sea, or the political condition of another country, may delay a ship from reaching port, and once in dock, bad weather may necessitate postponing unloading for many days.

If, however, a reserve of labour is necessary for the efficient running of industry, men even when out of work must be looked upon as part of the industrial staff and paid, as it were, a retaining fee. Moderate unemployment is not necessarily in itself an evil; but its accompaniments make it so. The lowering of the standard of life, destitution, the degradation and break-up of the home, the despairing and fruitless search for work—these are what make unemployment a dreaded evil. But once it is recognized that a degree of unemployment is inevitable, some provision for the out-of-work is seen to be essential.

The first legislation providing for compulsory insurance against unemployment in this country was contained in Part II of the National Insurance Act of 1911. The Act, which was passed as an experiment, established a scheme of insurance for the constructional trades (building, engineering, shipbuilding, etc.) which, as has been shown, are peculiarly liable to violent fluctuations. Of the 2,000,000 workers covered by the Act, each had to pay  $2\frac{1}{2}d.$  per week, the employer paying a further  $2\frac{1}{2}d.$  in respect of each worker, and the State contributing one-third of the total payments of workers and employers. In return the worker received unemployment pay at the rate of 7s. a week for fifteen weeks in any twelve months. In 1916 those engaged on munitions work were brought under the scheme, and three years later the weekly benefit was raised to 11s. In 1920 the plan was enlarged to include the majority of workers. By the 1920

Act compulsory insurance was established for all workers, with the exception of those employed in agriculture, domestic service, on the railways or by a public authority ; the reason for these exceptions being their permanency of employment. Contributions were at the following rates :—

|            | Worker.      | Employer.    | State.       | Benefit.                |
|------------|--------------|--------------|--------------|-------------------------|
| Man . . .  | 4 <i>d.</i>  | 4 <i>d.</i>  | 2 <i>d.</i>  | 15 <i>s.</i>            |
| Woman . .  | 3 <i>d.</i>  | 3½ <i>d.</i> | 1½ <i>d.</i> | 12 <i>s.</i>            |
| Boy . . .  | 2 <i>d.</i>  | 2 <i>d.</i>  | 1½ <i>d.</i> | 7 <i>s.</i> 6 <i>d.</i> |
| Girl . . . | 1½ <i>d.</i> | 2 <i>d.</i>  | 1 <i>d.</i>  | 6 <i>s.</i>             |

An especially interesting section of the Act stated that industries which prefer to establish schemes of their own may, with the sanction of the Ministry of Labour, contract out of this Act, provided that the scheme is a joint one of employers and employed, and that it gives benefits at least as good as those provided by the State plan.

Unfortunately, the Act, which brought 12,000,000 workers under the insurance scheme, came into force when the depression in trade was beginning to make itself seriously felt. Had it commenced two years earlier when unemployment was practically nil, and when profits and wages were good, a reserve fund could have been built up, out of which to meet the expenses of abnormally bad times. Instead of this, from the very first there has been a heavy and continual drain, with the inevitable result that the



fund has become insolvent and has been forced to borrow. The continued depression has resulted in certain amendments of the original Act, the present position being as follows :—

### I. Contributions

|            | Worker. | Employer. | State. |
|------------|---------|-----------|--------|
| Man . . .  | 9d.     | 10d.      | 6½d.   |
| Woman . .  | 7d.     | 8d.       | 5½d.   |
| Boy . . .  | 4½d.    | 5d.       | 3½d.   |
| Girl . . . | 4d.     | 4½d.      | 3½d.   |

II. *Benefits* (which are not paid until after a qualifying period of six days—a condition which imposes great hardship on those on short time or on work of a casual nature) are : 15s. weekly for men, 12s. for women, together with an allowance of 5s. for a wife and 1s. for each dependent child.

III. Furthermore, all schemes for contracting out are held up until such time as the Insurance Fund becomes solvent.

From the inception of the scheme discussion has been keen as to the suitability of its basis. It has been suggested that, instead of the national system there should be established "insurance by industry," i.e. a separate scheme for each industry to be administered by its own representatives. This plan, which derives its inspiration from the idea of self-contained and self-governing industries made familiar by the Guild Socialists, is very attractive

in its implication that the maintenance of the worker should be the first charge on industry. As one step towards a reorganization of industry on the basis of self-governing guilds, it has gained many adherents. Other than this, three arguments are brought to its support :—

(1) Industries vary greatly in the extent of their unemployment. The capital trades are subject to more violent cyclical fluctuations than most, whilst many trades are more seasonal than others. A general scheme means that the stable trades bear a greater burden than is necessary in order to help maintain the unemployed of those either more fluctuating or not so well organized.

(2) A national scheme makes difficult, if not impossible, the levying of differential contributions and the payment of differential benefits. Yet the reason for insurance is the maintenance of the standard of life of the worker, which varies from industry to industry. An industrial scheme would allow much more readily of this diversity.

(3) Finally, if an industry, badly organized or subject to abnormal fluctuation, were forced to bear from its own funds the full financial responsibility of its unemployed, it would feel a direct incentive to more efficient organization, and to examination of suggestions for increasing the stability of trade.

All these arguments have much in their favour. The first is sometimes opposed on the grounds that good industries should support the bad, because, since all trades are interdependent, none can refuse a certain measure of responsibility for the others.

For example, dock labour and building work are both highly fluctuating types, yet practically every other industry depends on them both for getting its raw materials, and for disposing of its finished goods ; as well as for building the factories and workshops in which those goods are made up. Is it not just therefore, it is asked, that industries should pay the full cost of those services, including maintenance of the unemployed ? Yet in totally exempting from the present scheme those in comparatively stable employment (as, e.g., railways and agriculture), this theory has been rejected ; and it would be impossible to maintain that these industries do not depend, as do the others, on dock and building work. It is true that the industrial system is so intricate that no industry is entirely in control of its own unemployment. It is affected by the prosperity of other industries, and by the actions of the community generally, e.g. methods of taxation, foreign policy, etc. Since the actions of the community partially determine the extent of unemployment, it is right that the whole community should contribute towards the expense of maintaining those out of work. But by making stable industries support their weaker brethren one is putting on them a double burden—firstly, as members of one industry ; secondly, as citizens and tax-payers. They are thus penalized in favour of the more fortunate, who, although equally dependent on industry for all the material requisites of well-being, yet are not engaged in any of the insured trades.

Whether insurance by industry will act as an

incentive to better internal organization is much more doubtful. Sir William Beveridge points out <sup>1</sup> that the same argument was used when Workmen's Compensation was first introduced. But actually employers showed themselves averse to taking from their more ordinary business the thought and time necessary to initiate safety measures. They preferred to pay a comparatively heavy premium in order to ensure against the results of accidents to their workpeople; and the prevention of accidents had to be achieved by more definite regulations as to the use of machinery, etc. The amount necessary to maintain the unemployed is not sufficient, compared with other costs and with profits, nor is business enterprise normally of such a high level as to result in a great decrease in the volume of unemployment. It is more probable that the old example would be followed, and the insurance companies open a new branch of business. The only industries likely to be improved are the chronically casual, whose maintenance bill would be so heavy a charge that schemes for decasualization which are now continually turned down by the employers would probably have more chance of a hearing.

Yet there are a number of grave drawbacks to a scheme of insurance by industry. One speaks of the building industry, the textile, the engineering, etc., as if each of these was a well-defined whole with perfectly clear contours. Yet actually it would be

<sup>1</sup> See "A New Proposal for Unemployment Insurance" in the *Manchester Guardian, Commercial*. Thursday, February 1st, 1923.

extremely difficult to draw accurately the boundaries of any. Each shades off imperceptibly into others so that often a number of branches of trade are common to several industries, and it is not unusual to find one firm which by its different departments is connected with several of what appear, to the outsider, to be quite separate industries. Any definition of boundaries must have a somewhat arbitrary character and would lead to continual friction. Once again progress would be impeded by a morass of demarcation disputes, similar to those between occupational unions, from which only now the trade unions are struggling towards amalgamation.

The existence of a number of separate schemes each levying different contributions and paying different benefits is likely to have the very opposite effect from that intended. For, by making even more difficult than at present the movement of workers from trade to trade, the quantity of unemployment would almost certainly be increased. The dovetailing of seasonal trades would be considerably hampered, and both employers and work-people be confused by the necessity of fitting together a number of different schemes, each of which has been conceived individually. Workers would find themselves paying so much per week and bound by certain rules at one time, and paying a quite different amount and bound by different rules at another. The effect would almost certainly be to prevent even that amount of transference from one occupation to another that at present takes place.

Employment Exchange organization must necessarily go hand in hand with that of insurance. Officials cannot judge if a man is genuinely unemployed unless they are able to offer him work for his acceptance or refusal. Insurance by industry would, therefore, demand reorganization of the present machinery for finding work, and the establishment of industrial exchanges. It is likely that these would act with much greater efficiency than do the present ones, within the confines of one industry. . But again it must be remembered that industries are not divided into water-tight compartments. And there would still exist therefore the problem of getting to know of suitable jobs vacant in other trades. A dual system of exchanges would thus become necessary—the industrial exchanges finding employment in and administering the insurance schemes of the separate industries, and (secondly) a number of central State bureaux acting partly as clearing houses and partly as the unit of insurance administration for those workers whose occupation fits into no one of the other industries. A single system already costs a great deal ; the upkeep of two would place a proportionately heavier burden on industry without permitting sufficient economies in other directions to make the scheme worth while.

Sir William Beveridge, in the course of the article quoted above, puts forward a tentative suggestion to combine the advantages of both the industrial and national schemes without their drawbacks. He proposes that the benefit side remain the same

as now, but that the money necessary should be raised in a new way. Instead of employer and worker buying weekly stamps, the worker when dismissed would report at the exchange and there fill up a form stating the length of his last employment. His employer then becomes liable to pay a proportionate number of weeks' benefit. If the worker is immediately engaged by another, both employers become liable for the future and the exchanges would collect from them according to definite rules. The State also would contribute to the expense, but not the worker. It would be impracticable to collect from him, since while he was working there would be no means of computing how much to deduct in prospect of future unemployment. The merits claimed for this scheme are :—

(1) It makes unnecessary the nuisance of unemployment books and stamps and is likely therefore to be cheaper to administer.

(2) It discriminates in favour of the employer who offers stable employment, and acts as an incentive to employers to avoid dismissing those who have been longest in their employ and would therefore find it difficult to get work elsewhere.

(3) It does not hinder the mobility of the worker as would insurance by industry ; nor does it require definition of boundaries of industries.

It is doubtful whether such a scheme would really act as an incentive to more permanent employment. The control of such a matter lies very little with one individual employer, who can do little without the co-operation of others in his trade, and

of the rest of the business world. The ignorance of what his financial obligations are likely to be (for he has no means of judging how long his workers when dismissed are likely to remain unemployed) would probably lead the employer to insure against this risk as he does against the risk of accidents. And no more thought would be given by him to the prevention of unemployment than is now given to the prevention of accidents. The scheme would therefore be likely to be more, rather than less costly ; for besides the necessary insurance premium the employer would have to pay for the cost of administration and the high profits which the insurance companies would expect.<sup>1</sup> Otherwise the plan has much in its favour. It exempts automatically both those industries and those employers who offer security. Both in this way, and by levying no contribution from the worker, it places the burden of unemployment on those who are mainly responsible for it, whilst the contributions of the State are a recognition of the responsibility of the community.

Whatever the basis of an insurance scheme it is essential that the benefit allowed to the worker should be sufficient adequately to maintain his standard of life. The present allowance is altogether insufficient for this purpose, so that the unemployed workman is forced to pawn his goods or to seek relief from other quarters. It is generally argued in support of the ridiculously low benefit that a

<sup>1</sup> cp. Out of every £100 paid by employers as premiums to insure against risk of accidents £48 has been returned to workmen as compensation, while £52 has been retained by the Companies for profits and expenses.



larger amount would encourage the shirker. This contention savours too much of the old Poor Law with its principle of making relief less desirable than the lowest paid independent work, but which could only compete in ineligibility at the expense of the degradation of the applicant. If conditions in industry are so bad that a man elects to remain out of work, with all the accompanying drawbacks of that position, an excellent argument has been found for raising those conditions, rather than for lowering out-of-work benefit and depressing wages still farther.

For convenience the contents of this chapter are summarized.

During the short period, not only is the total supply of labour a comparatively fixed quantity, but the numbers capable of being employed in any one occupation are not easily altered. The demand for labour, however, fluctuates according to business activity.

There is a fairly regular cyclical rhythm of rising prosperity, boom, and depression, caused mainly by the maladjustment between investment and expenditure, and exaggerated by the action of the banks and by an atmosphere of enhanced confidence or of deeper gloom. The first step towards remedying cyclical fluctuations is a better distribution of wealth, so that the mass of the population are enabled to consume their proper share.

There are also seasonal fluctuations in trade, due to climatic and social conditions. The unemployment which results may be decreased by a regular working day and by more dovetailing of trades.

Unemployment is greater than it need be owing to lack of mobility both geographically and functionally. Better organization of the labour market, better communication and above all more continued, liberal education are required.

The employment bureaux which try to bring workers and jobs into contact have not been successful owing to untrained staffing and to overwork.

Some unemployment is inevitable because of the dynamic nature of industry and because many fluctuations in trade are not calculable, e.g. those due to conditions in other countries, or to war, or to climatic conditions. Some provision for those unemployed is therefore essential. This is at present partly provided by a scheme of insurance to which workers, employers and the State all contribute. Whatever the basis of an insurance plan, it is important that the out-of-work pay should be adequate to maintain the standard of life of the worker without driving him to charity or Poor Relief.

## CHAPTER VI

### WOMEN IN INDUSTRY

It has been said that in the days of Chivalry woman was regarded as a cross between an angel and a fool. Men sang the praises of her beauty, vowed she was the inspiration of every noble action, and accomplished marvels of daring to win her smile. But her rôle was passive, and she was carefully excluded from all councils when "men's work" was toward. The romantic of all ages has always considered this the ideal position, and true to his nature has continually gone to the past for proof of its eternal rightness. But in turning the pages of the histories his fancy has too often been held by the richly coloured pictures, by the pageantry and beauty of castle and bower ; and the more homely features of the common life in cot and farmstead have received scarcely more than a fleeting glance. Most men have this much of the romantic in them, that they tend to sentimentalize the relationship of men and women, and are thus tempted more easily to turn a blind eye to the realities of everyday life. The traditional view of man as the protector and guardian of the

woman, shielding her from life's harshnesses, has hidden from sight the picture at least equally true of those thousands of toiling women from whom economic facts have never been so carefully guarded. The work of women during the war was hailed as something entirely new and unprecedented ; whereas actually the only novelty was the comparatively good conditions that prevailed during that period.

Women were, indeed, actually the founders of most industries. From early days they have baked and brewed, woven cloth and made garments. And later when specialization of function relieved each household of the necessity for providing separately for all its wants, they still continued their occupations and produced goods for sale. Although it is true that most of this industrial work was done in a subordinate capacity, as assistant to husband or father, women were often found also in such external industries as mining and rope-making. But it was not until the great changes of the Industrial Revolution that they came in very large numbers into the open labour market.

The introduction of machinery and the economies of gathering workers under one roof broke up the old system of industry. The dispossession of the small landowners, due to the Enclosures, resulted in an influx of labour into the rapidly expanding towns at a time when the new machinery was to a large extent replacing the traditional skill of the craftsman. The fierce competition for jobs, which was the consequence, brought about a continual lowering of wages, so that it soon became impossible

for a man to support his wife and children out of his remuneration for a full week's work. Women had previously contributed to the family budget by agricultural work and by spinning in their own homes. The Enclosures robbed them of many of their opportunities for work in the fields ; and the application of water and steam power converted spinning into a factory industry. Thus with men's wages continually falling, and with two sources of livelihood drying up, women were forced to seek employment in the mills and factories. Yet despite the appalling conditions in which they worked—the long hours, the infinitesimal wages, and the break-up of home life—the position of women was in some respects a decided advance on the one they had previously occupied.

In the earlier period the family was the industrial unit. Women and children worked under the supervision of the head of the household, who either sold his products in the neighbouring market or received payment from the capitalist who had provided the raw material. In either case it was not necessary to put a value on the work done by each individual, and the women and children received no separate payment. But in the factories women worked as individuals and therefore received wages in the same way (although not at the same rate) as the male workers. In addition, the gathering together of many workers in a small area made more glaring the dreadful conditions of their work, and both stimulated and facilitated improvement. Through the whole of the nineteenth century, even in the most

aggressively *laissez-faire* periods, we find innumerable Acts, which gradually build up a structure of protection over women and child workers. Had women remained in industry in their own homes, conditions and hours of work would probably have often been as bad, but being less conspicuous would have been more difficult to regulate or supervise. And bad as factory work undoubtedly was, it yet represented some improvement on the conditions of domestic service of that time, and offered alternative avenues of employment.

On the whole, there has been, from the beginning of the present century especially, a very rapid increase in the number of occupations open to women. Before the war, the majority were employed in those industries with which they have always been traditionally associated—domestic service, textiles, dressmaking, preparation of food and drink, etc. About one-third of the total number employed were engaged in the group of domestic industries, about one-third in the textile and clothing group, whilst the remaining third were to be found in other miscellaneous occupations. But the numbers employed in this third group are fast gaining ground over the first, whilst the second remains more or less stationary. As machinery becomes more automatic, an increasing number of women find employment in metal trades, in printing and paper-making, etc. And even though the vast majority are still engaged in the traditional occupations, these are no longer carried on in the customary way. One of the great characteristics of the last half-century has been the removal of the

old-time industries into the factory. The weaving of cloth, the making of clothes, beer brewing, laundry work, and to an increasing extent the preparing of food, have become factory industries, carried on by complicated machinery. Even domestic service is losing its character, an ever-growing number of women preferring to work in hotels and clubs, or to hire their services by the day and live at home. The following table shows the distribution of women in the various industries before the war (1911 Census) :—

|                                      |                 |
|--------------------------------------|-----------------|
| Domestic offices or service . . .    | 1,734,040       |
| Dress . . . . .                      | 755,964         |
| Textile Fabrics . . . . .            | 746,154         |
| Food, Drink, Tobacco . . . . .       | 474,683         |
| Metals, Machines, etc. . . . .       | 124,713         |
| Paper, Printing, etc. . . . .        | 121,309         |
| Brick, Cement, Pottery, Glass . . .  | 39,124          |
| Chemicals, Oil, Soap, Grease, etc. . | 36,870          |
| Skins, Leather, Hair and Feathers .  | 30,208          |
| Wood, Furniture, Decorations . . .   | 30,184          |
| Other Employment . . . . .           | 737,485         |
| Total . . . . .                      | <hr/> 4,830,734 |

The vast majority of women workers are young, the normal thing being for women to leave paid work when they marry. Of these (nearly) 5,000,000 workers, 71 per cent. were under thirty-five years of age, and of the total 77.4 per cent. were unmarried and 8.5 per cent. were widowed, leaving only 14.1 per cent. of married workers. These figures indicate that there is little likelihood of women giving up home life

for industrial, to any marked degree. The attractions of home life, the instincts to mate and to care for children, are evidently strong enough to lure most women away from industrial life, despite its comparative freedom and despite the difficulties of creating a home with bad housing, no conveniences and a small and uncertain income. The evidence given before the War Cabinet Committee on Women in Industry <sup>1</sup> shows that, for the most part, the married women who work for wages are those who are forced to do so. They are mainly the wives of those who, through physical, mental or moral incapacity, are unable to support their families. Others are women who have been deserted, or are wives of men in very low-paid trades ; or of men whose earnings are so irregular that the woman must be prepared to step in at any moment, and to be ready for any such emergency, she must be in permanent employment. Sometimes the standard of life of the neighbourhood is high, as, e.g., in Lancashire, and the woman works to supplement her husband's earnings because her pride cannot suffer a less comfortable home than those of her friends. And there are some women, having been in employment before marriage, who find domestic work monotonous, and who return to the factory for interest or, perhaps, to gain more economic independence of their husbands. But, normally, women look forward to retiring from industry on marriage. This fact it is which complicates so many of the problems connected with their employment.

<sup>1</sup> Cmd. 135. 1919.



The line of demarcation between men's and women's employment is drawn partly by State regulation, partly by Trade Union action, partly by custom, and largely by the nature of the trade and the skill required in it. Ever since 1844 women have been prohibited from working underground and from moving railway wagons. Many processes, particularly those concerned with the use of white lead, have since been added to the prohibited list. Women also may not be employed during the night, and all employment which necessitates night shifts is therefore closed to them. The attitude of the trade unions has been, in part, dictated by what men consider it decent and proper for women to do, in part by a fear that the competition of women will lower the general wage level. Where total exclusion has been found impossible the unions have attempted to confine women to particular processes ; and here customary restrictions have often supported the trade unions in their attitude. Public opinion has sometimes considered certain classes of work unsuitable for women, although at the same time countenancing employment of a much heavier and more objectionable kind. For example, those who deprecated women's work in factories even under protective legislation saw nothing injurious nor incongruous in heavy incessant domestic service, such as the carrying of heavy loads up flights of steep stairs, even during pregnancy.

The boundary of spheres of employment is coming, however, to depend more and more on the nature of the work. In general labouring work men are

usually employed on the heavier outdoor tasks ; women on the lighter indoor ones, because the greater physical strength of the man makes his labour more economical for this class of work. As more occupations are opened to women there is a strong tendency for them to leave such jobs entirely to men, and in well-organized factories men are employed specially to do the heavy lifting and carrying for the women workers. This is not always so, however. In badly organized trades and factories women and girls are often engaged carrying heavy loads from one department to another, etc., because through lack of organization or of protection their wages are so low that it pays to use them as beasts of burden. But labouring work as a whole is diminishing rapidly. As the level of wages rises there is more inducement to put in machinery to do the heavy work, so that fewer men even are required now than in the past. This development is likely to proceed, thus altering the proportion between male and female labour. For as the labour used in connection with the machines often does not require great physical strength, men lose the advantage that this gives them. Driving a trolley or acting as lift attendant constitute work that is generally quite suited to a woman's power and endurance.

Craft work, i.e. work of an individual nature, which requires a long apprenticeship and a capacity to adapt trained skill to difficult jobs, does not offer many openings to women. This is not because of physical weakness, but is due to the fact that most women look forward to marriage. Employers are

unwilling to waste long years of training on girls who are likely to leave just as they become useful ; and girls themselves, and more especially their parents, see little sense in devoting years to learning a trade, at low pay, when the skill thus painfully acquired will be of little use in the future. A skilled woodworker or a high-class mechanic requires an apprenticeship of from five to seven years. It is natural that a girl who leaves school at fourteen and expects to be married by the time she is twenty-five should be unwilling to give so much time on the chance that either she may not find a husband able to support her, or that she may require to return to industrial life when married. It is significant that in one of the few skilled trades in which women are found in great numbers, i.e. the weaving and ring-spinning sections of the cotton industry, it is usual for women to continue in employment even after marriage. Again, women are willing to undertake a period of training in dressmaking, laundry or domestic work, for all these are activities which will be useful in the home and which can be turned to good account should the necessity for earning arise. But craftwork is also diminishing rapidly, few trades now insisting on a long apprenticeship. The modern tendency is to subdivide one skilled job into a number of semi-skilled or automatic repetition ones, and to keep only a nucleus of highly skilled men to act as supervisors and foremen.

In routine work of this sort, the line of demarcation between men and women is much more difficult to draw. In some cases the division is natural,

men doing the heavy and women the light work. For instance, in the metal trades women are employed in feeding and minding machines, making pins, hooks, eyes, buttons, etc., whilst men do the tool-making and the setting of machines and presses. Or in the nail trades, women use light machines for turning and screwing bolts, whilst men forge the bolts and set the machines. Almost universally women are employed in packing goods into small parcels as, e.g., cigarettes, toilet soaps, etc., their more sensitive fingers making them peculiarly suitable for such tasks. It is extremely rare to find the two sexes in direct competition with one another. In the spinning section of the cotton industry, where both men and women are engaged, the men are employed on the mules, a heavy and complicated machine, women being engaged on the lighter ring-spinning. Of the fifty operations in general earthenware manufacture, about twenty are exclusively women's processes. Most stages of jam-making and fruit-preserving are carried out by women, men doing such heavier work as jam-boiling. But although there is no direct competition, the tendency has been for women gradually but continuously to displace men in these routine trades. Perhaps a new machine is introduced, and women engaged to work it; and as they receive less than the men, the new machine gradually ousts the old. In other cases women have been employed in unorganized districts where the men are not sufficiently powerful to oppose them, and here trade inclines to move from the men's to the women's area. In the cotton industry, where

men and women are paid the same rates, the proportions of the sexes have remained practically stationary; but in tobacco, china, tailoring, printing, metal trades and others, where women receive much less, the proportion of women to men has steadily increased. Routine or process work is already, perhaps, the largest type of industry and is certainly likely to grow at the expense of craft work. It seems probable, therefore, that this will offer an even wider sphere of employment for women.

In one class of occupations there is, to a certain extent, direct competition between men and women. Clerks and shop-assistants have never been well organized, and the men have not therefore been able to establish a monopoly of their work. So that what was comparatively easy in the groups previously mentioned—the prevention of women from being employed in identical jobs with men—has here been impossible. Especially for the lower grades of this work, the training required is little more than the education both boys and girls equally receive in elementary schools. Particularly in the large establishments the work can be so routinized as to call for very little special skill. Physical strength here counts for little, and as women are willing to accept lower payment than men, the proportion of women to men has increased by leaps and bounds. Whereas in 1881 there were twenty-nine male clerks employed for each female one, in 1911 there were only 3.1.

In these trades, however, women are confined almost entirely to the lower grades. Partly from custom, partly because women are said to shirk

responsibility, partly because the employer is unwilling to give good work to a woman who may leave him on marriage, the higher posts are mostly, though not invariably, given to men. For example, in business women are mostly engaged in the routine work of correspondence, book-keeping, coupon-filing, etc., whilst in the counting houses practically all employees are men. And although women are found in large numbers as shop assistants, there is generally a male window dresser and in multiple shops a male branch manager.

It will thus be seen that wherever special skill or great strength and endurance are required men have the advantage. But both these groups are decreasing owing to the introduction of automatic and semi-automatic machinery. Of this more routine type of work, wherever men are well-organized they are able to prevent women from being employed on identical jobs; but the tendency is always for women to be introduced as cheap labour on a new kind of machine or in an unorganized area, and for the trade to go to these. There is, therefore, on the whole, little direct competition between men and women, but much between men's and women's processes. But in very many instances the work is divided, women being employed on the lighter processes or those which require deft fingering, men on the heavier processes and on machine setting.

During the war, owing to the scarcity of labour, women were employed in many trades and on many processes that had formerly been closed to them.

From July, 1914, to July, 1918, the total number of occupied women rose from just under six millions to nearly seven and a half millions. The greatest increase is shown in the transport, metal and chemical trades, and in Government establishments. Sometimes women actually replaced men and performed identical work, e.g. as ticket collectors, as gatekeepers, as bus conductors, etc. But for the most part they were introduced to do work formerly done by skilled men who had served a long apprenticeship, and as the new workers could not be allowed a training of more than a few months at most, it was necessary to divide up skilled jobs into several semi-skilled processes. Very often women were trained to do one specific skilled job, whereas the qualified male worker is able to apply his skill to a large number of separate tasks. Or women were engaged on the repetition part of the work, men being retained to set machines, to make gauges and do all the skilled task work which is necessary if repetition work is to be done cheaply and quickly.

The greater part of this women's work was avowedly temporary. Trade unions which before had had strong views on the employment of women gave up their restrictions for the duration of the war on a pledge from the Government that Trade Union practices should be restored when hostilities ceased. It is therefore difficult to judge with any certainty what lasting effects that employment is likely to have. Many women came into industry for the first time, for patriotic reasons, or for excitement, or because of loneliness during the absence of

their husbands. Of women employed in other than their own normal occupations, over one-third were drawn from paid or unpaid household work, and more than one-quarter were actually domestic servants. Almost immediately after the Armistice these women began to be discharged to make way for the men being demobilized. And by the end of 1919 three-quarters of a million had returned home or gone back to their old trades. During the depression many more women have been dismissed, and there are no means of knowing how many of these will be re-engaged when trade revives. But the experience of the war has given valuable evidence as to the suitability of women for certain work, and more particularly as to their relative merits when compared with men.

## II

An investigation of the wages of women workers gives two very striking conclusions—first, that women's wages are, as a whole, very much below the general level, and second, that women are almost invariably paid at a lower rate than men performing similar work. Many reasons are given in explanation. The fact that a male worker is generally the breadwinner for a family, whilst the majority of female workers are unmarried, has led to the belief that the inequality in their wages corresponds to a difference in their needs. But this belief has little relation to the facts. Although the standard of life of a worker undoubtedly plays some part in the determination of his wage (since he will stand out



as long as he can for an income sufficient to maintain his customary standard of life), yet the needs of the worker are not the main determinant. Wages in any competitive system are finally settled by the productivity of the worker, i.e. by the value of his work to the enterprise of which he forms a part. A bachelor receives the same wage as another doing similar work, although the latter may be the sole support of a wife and ten children. And those who justify women's lower payment on the "needs" basis do not give more to those of their women employees who are known to have others to support. The idea itself that women work only to keep themselves is also not founded on fact. There are many women workers on whom are dependent a widowed mother or an invalid sister. A deserted wife or the wife of an invalid has her own small children to keep, and particularly now, it falls to the lot of many women to help support their younger brothers and sisters.

A more rational justification of the lower wages of women is in the general statement that "they do not produce as much." Even if payment is made according to results women must be paid at a lower *rate*, because more women than men are required to produce a given output, and therefore more machinery, space, power, light, heat, etc., are required. It is true that in those industries for which the qualifications are strength and endurance, women are certainly unable to produce as much as men in a given time. But the experience of the war shows that it is impossible to make any safe generalization

in this respect. Many employers in their evidence before the War Cabinet Committee stated that on work of a routine nature women often produce actually more than men, because they are better able to endure the monotony! But the expectation on the part of most girls that their industrial career will be short leads to lessened interest in the details of their work. They are usually not as anxious to learn as are boys, do not prove as adaptable, and are unwilling to undertake posts of responsibility. There are, of course, innumerable temperamental differences, but on the whole women, whilst more efficient in routine work, have less initiative and less endurance than men. They may be quite equal to regular work of even a difficult nature, but are not as competent to stand strain or to work "at a rush." It must be remembered that this experience was gained during the war when nerves were strained to the utmost, when life was lived at high tension, when industrial methods were in flux, and when women were comparatively new to the more responsible work. And it is, therefore, difficult to know how much weight to give it. But it is still probably true that women, in many processes, are not able to produce as much as men.

Their relative disadvantages are increased by social custom and physiological handicaps. Girls do not generally receive as much food and leisure as boys, because it is thought that they require less. Most women, whether married or not, are expected to perform household duties in addition to their work in the factory, and this, added to the periodic sick-

ness to which women are liable, results in a greater amount of bad time-keeping and absenteeism. Even although the absentee is not paid, the employer suffers a net loss owing to the machinery remaining idle, or to the necessity of maintaining a larger staff so that somebody may be ready to step into the breach.

It is sometimes said that women are more expensive to employ for reasons other than their relative inefficiency. Factory Acts apply almost entirely only to women, and there is a growing body of opinion which insists on a certain amount of "welfare work" among women employees. But it is coming gradually to be understood that "welfare work" and regulation of conditions are not so much an expense as a sound investment; and good employers do not confine these amenities to their women workers. Moreover, the cost of welfare work per head of women employed by a firm is generally negligible, and if subscribed for by the workers themselves would require a very much smaller contribution from the wages of each than is now compulsorily deducted by making their pay lower than that of men.

It must be admitted that, giving due weight to all the disadvantages of employing women, their inferior capacities, their instability and the short term of their industrial life, the difference in the payment of the two sexes requires further explanation. Nor do these facts help to show why it is that even in those industries which are specifically women's, where there is not even indirect competi-

tion between men and women, the latter still receive such abnormally low wages. It is unusual to find the wages in a man's trade so low as to be insufficient to support a single man with no dependents ; yet in women's trades it is rare to find a wage that is enough to keep the one worker in decency or frugal comfort. On the basis of prices before the war <sup>1</sup> it was calculated that 15s. a week is the minimum for a women dependent on herself. This presupposes that the woman both knows the best way to lay out her money and has opportunities for doing so. Yet actually the woman worker has no chance of acquiring such knowledge and little leisure to apply it if she had. The following table shows how far below this most women's payment fell :—

| Industry.                           | Average Wage for Full Working Week. |    |
|-------------------------------------|-------------------------------------|----|
|                                     | s.                                  | d. |
| Cotton . . . . .                    | 18                                  | 8  |
| Wool . . . . .                      | 13                                  | 10 |
| Linen . . . . .                     | 10                                  | 9  |
| Clothing . . . . .                  | 13                                  | 6  |
| Umbrella, etc. . . . .              | 15                                  | 7  |
| Brush and Broom . . . . .           | 10                                  | 6  |
| Paper, Printing . . . . .           | 12                                  | 2  |
| Food, Drink, Tobacco . . . . .      | 11                                  | 5  |
| Pottery, Brick, Glass, etc. . . . . | 11                                  | 10 |

It should be noted that these wages are for a full week's work and make no allowance for short time,

<sup>1</sup> Figures of to-day (1923) are not very valuable because (1) a large number are out of work, and the wages of the others are unduly depressed ; (2) prices and wages are subject to such very quick fluctuations (owing to the deflation of the currency and the international situation) that it is almost impossible to fix on a standard that will have any meaning for more than a few months.

unemployment, sickness, and holidays ; yet it is precisely these trades which are subject to great seasonal fluctuations. Secondly, the figures given represent averages, and it may safely be said that in every case 40 per cent. or 50 per cent. of the workers would be earning considerably below these amounts.

The reasons for these appallingly low wages are to be found in three circumstances—in the traditional view of women's small requirements, in the lower demand for their services, and in lack of organization.

When women first entered the factories they were often earning as individuals for the first time. As assistants to husbands or fathers it had not been necessary to set a money value on their work, and as the greatest outside occupation was domestic service, where wages, always low, were paid mainly in kind, there was no recognized wage level for which they could make a stand. Their work had always been undervalued and it was so still. Factory masters knew that the needs of the family would force women to work whatever the pay, and treated them accordingly. The tradition of low wages has dogged them ever since.

Unfortunately, there have always been more than sufficient women willing to give their services despite the small reward. The usual skilled trades employing women, clothing, laundry, food, etc., require qualifications which the majority of women possess in some degree and most could therefore turn their hands to them with little extra training. The other

skilled trades are closed to them because of the need for a long apprenticeship ; and to many industries in which their lack of skill would not be a hindrance social convention closes the door. (Railway clerical work is an obvious example of the latter.) How strong is the social belief that only certain occupations should be open to women is seen in the aim of practically all orphanages and similar institutions to train girls for domestic service, no less than in the cry that is always raised during times of unemployment that women who are out of work should be forced to enter this occupation. Consequently, there are always a very large number of women competing frenziedly for entrance to very few industries, with the inevitable result that their wages remain low. If it were true that this group of trades represents the only one suitable to women it would be impossible to alter such a state of affairs. But actually, as has been shown, the sphere of industry in which men have an advantage through their superior skill, strength or endurance, is rapidly narrowing, and an increasing number of jobs are becoming equally suitable to women as to men. It should not be difficult by scientific investigation to discover the trades or processes of trades which are harmful to the woman worker, and by legislation either to close them entirely to her or strictly to regulate them. The opening of all other industries would draw off the intense competition from the specifically women's trades, and by thus increasing the demand for their services make it possible for wages to be increased.

More than any other one factor, however, it is the lack of organization which has prevented women from increasing their wages. Here, therefore, the remedy must be sought. It is not difficult to explain this deficiency. The "meantime" nature of women's industrial life, its characteristic as a transitional period between school and married life, lessens the interest of the workers in the conditions of their work. They are not willing to brave the difficulties that beset the feet of the pioneers of Trade Union organization. The hostility of the employers, used to "cheap and docile" female labour, expresses itself in the instant dismissal of any girl known to be stirring up her colleagues to protect themselves, and the fear of being the next victim smothers enthusiasm for organization on the part of the majority. Men's organizations, too, must be blamed for their opposition. Fearing women's competition they unwisely refused them admittance to their unions, and hoped in this way to exclude them from the trade. Instead, women were introduced as cheap labour; and later, when they had jobs to lose, it was much more difficult to organize them. In the cotton trade, where women have been employed as long as men, and have fought by their side for the right to combine, this difficulty is not experienced. The women of the cotton unions accounted in 1914 for 60 per cent. of the total female membership of trade societies.

The long hours of work, again, followed almost invariably by domestic duties, leave little leisure for meetings, while the low wages make even the smallest

weekly contribution to union funds a considerable sacrifice. Owing to the isolated nature of their work in the home, women have not yet had sufficient opportunity of cultivating the team spirit, and suffer from a lack of public feeling largely fostered by their well-to-do sisters; who, speaking from their own narrow, dull, parasitic lives, have taught them that it is not genteel to discuss wages and unlady-like to organize. The natural shyness of women has made them accept this teaching, and even where women are fairly well organized, as in Lancashire, it is unusual for them to take an active part in the administration of the affairs of the society, or to screw up their courage sufficiently to discuss common matters with the men at branch meetings.

Slowly but steadily the position is changing, and the female membership is gradually creeping up—in 1876 there were only 10,600 women unionists, in 1914 this had risen to 357,956, and in 1918 to 1,086,000.

It is as yet too soon to be certain what permanent effects on wages and organization the war is likely to have. Where women were engaged directly to replace men, in the engineering trades, a pledge was given by the Government that the women should receive exactly the same wage as those they had replaced. This pledge was never kept. In some cases women were given the same basic rates, but a much lower "cost of living" bonus; in others, it was claimed that the women were not doing identical work and that therefore the pledge did not apply. In one occupation only did women get exactly the



same wage as the men. The male bus conductors took the precaution of enrolling all the women in their own union as soon as they were engaged ; and the union standard rate had thus to be paid to them as to the men. Yet on the whole the greatly increased competition for women's labour exerted an upward pull on wages, and women at the end of the war were in a considerably better position than they had been before. The average wage in 1919 was 35s. a week (cost of living then being 115 per cent. above 1914), but the wages in the women's trades did not go up as quickly or to the same extent as the others, and in some, real wages actually fell. The better wages, the pressure of the men's unions in the later stages, and the new outlook gained by introduction into men's industries, all conduced to an immense increase in organization ; yet even in 1918 only 20 per cent. of all occupied women were to be found in trade unions.

The depression of the last few years has once again forced women out of the trades newly opened to them ; wages are fast sinking to the old level. Naturally enough their union membership is also decreasing, and it is impossible to judge to what extent it will revive. It is likely, however, that the experience they gained during the war will stand them in good stead. During the war it was not considered improper even for shop assistants and clerks to organize and to discuss wages (incomes were, in fact, in all classes a topic of burning interest). Many began to realize for the first time the advantage of combination and the worth of corporate

loyalty, whilst the franchise gave them a new sense of their dignity as citizens. It is unreasonable to expect that they will forget these lessons entirely on their return to their old trades.

### III

In no branch of industry has the lack of organization had such disastrous effects as amongst the Homeworkers. The big industries loom so large in the public eye that it is not generally realized what a large number of workers carry on industrial work in their own homes. Sir Sydney Chapman estimated in 1914 that there were at least half a million such workers, the great majority of whom are women. Tailoring and dressmaking, chain-making, box-making, lace, broom and brushmaking are all industries which, because they do not necessitate heavy power machinery, can be fairly easily carried on by isolated workers. And there is a large class of women anxious for some such work. Many dislike factory life; they shun the noise and publicity, or are prevented from undertaking it by some physical or mental disability. Others have children or an invalid to care for, and although forced to give very many hours to remunerative work, cannot always give exactly the same hours. Others again, deserted by their husbands, or wives of casual labourers, are called upon suddenly to supplement the family income and take the first work that offers. Many of the trades employing outworkers are highly seasonal. Here it pays the employer to have a small factory which can be fully used all the year, and to give out

the rest of his work to be done in the home as the rush period begins. This results in under-employment for part of the year and excessive and unremitting toil for the remainder. Yet even in the busiest periods, owing to the isolated and unprotected conditions of these workers, the wage received, before regulation, was exceedingly low. In some instances earnings were as low as 2s., but generally varied from 8s. to 10s. for a full week's work.

All the difficulties of organizing women workers are intensified where homeworkers are concerned. Knowing nothing of the value of their work, and seldom meeting others engaged by the same employer, they are forced to bargain individually for their wages. And the more imperative it is for them to get work, the greater the disadvantage under which they labour. There have been instances of women living as neighbours, working for the same employer on identical work, yet receiving entirely different wages. The fear of dismissal is even greater amongst these workers than amongst other women. There are so many waiting for employment that no one will take the step of attempting to organize, or of daring to carry their complaints to those more fortunately placed and willing to help.

The exposure of this state of affairs given in the evidence to the Committee on Homework in 1907 aroused the public conscience and discussion at once began on how best to remedy it. To forbid homework altogether would involve intolerable hardship on those unable to work in the factory. A system of licensing was suggested ; but this again has faults.

For if a woman wants work quickly, the delay connected with the formalities of obtaining a licence would result in much unhappiness. And it was, at last, realized that the only sound policy was State regulation of the wage itself.

In 1919 the Trade Boards Act was passed. It set up for each of four "sweated" trades <sup>1</sup> a Wages Board composed of equal numbers of employers' and workers' representatives, together with three or five impartial members, with the duty of investigating these trades and establishing a legal minimum wage. This legal minimum became obligatory for all workers, whether in the factory or the home, and penalties were attached to nonpayment.

Grave doubts were entertained as to the wisdom of this Act. It was felt that any tampering with wages must necessarily limit the trade, and that loss of foreign markets and unemployment would be the results. The success of the Trade Boards show that this doubt was unjustified. The better wages have reacted on the efficiency of the worker so that her work has gained in value. Employers are more careful to see that the work is well organized. As they have to pay for time spent on the premises waiting for raw material, they arrange that materials are ready as soon as the workers come for them. Above all a stimulus to organization has been given, and growing trade unions have been formed in these industries. In tailoring and chain-making

<sup>1</sup> (a) Ready-made and wholesale bespoke tailoring. (b) Box-making. (c) Machine-made lace and 'net-finishing. (d) Chain-making.

especially, the influx of women members into the unions is remarkable. The average weekly rise in earnings in the first three years after the passing of the Act is estimated as follows :—

|              |   |   | <i>s.</i> | <i>d.</i> |         | <i>s.</i> | <i>d.</i> |
|--------------|---|---|-----------|-----------|---------|-----------|-----------|
| Chain-making | . | . | .         | 5         | 0 to 11 | 3½        |           |
| Lace-making  | . | . | .         | 7         | 0 or    |           |           |
|              |   |   |           | 8         | 0 to 11 | 11½       |           |
| Box-making   | . | . | .         | 8         | 5 „     | 13        | 0         |
| Tailoring    | . | . | .         | 8         | 0 „     | 14        | 0         |

In 1913 four more trades were added.

Five years later was begun a new policy. The Committee on Relations between Employers and Employed which sat in 1916 under the chairmanship of Mr. Whitley recommended the establishment of Joint Councils for well-organized industries. But it recognized that many industries were not sufficiently organized to allow workers any share in negotiating conditions affecting them; and it suggested that, in these, Trade Boards should be set up. Its avowed intention was that the Boards should so alter conditions that organization would be stimulated, until gradually all industries became suitable for representation on Whitley Council lines. The issue of the Whitley Report was followed by the Trade Boards Act, 1918, which empowered the Minister of Labour to set up a Trade Board in any industry if he was "of opinion that no adequate machinery exists for the effective regulation of wages throughout the trade." Legal minimum wages were to be established, that is, not only in sweated

industries, but in any in which lack of organization on the part of the workers made it impossible for them to bargain collectively for themselves.

The passing of the Act was naturally followed by a large increase in the number of Trade Boards. By 31st December, 1921, there were in existence sixty-three Boards governing the wages of about 3,000,000 workers, of whom 70 per cent. are women.

During the war and the succeeding boom, prices and profits were going up so rapidly that the upward pull on wages exerted by the Boards occasioned little dissatisfaction amongst manufacturers. But in 1920 began the depression. Rates were reduced too quickly for the workers, not quickly nor drastically enough for the employers. Evasions became frequent, and appeals were made by some manufacturers for a revision of the Acts. Accordingly the Government appointed a Committee under Lord Cave to inquire into the working of the Act ; and a report was issued in 1922.<sup>1</sup>

From the evidence of the witnesses certain criticisms of the Trade Boards emerged. It was stated that the high rates fixed by the Boards caused loss and dislocation of trade, with consequent closing down of workshops and unemployment ; and that they increased the competition of home traders not employing labour ; and have given favourable opportunities to the foreign producer. Complaints were also made as to the overlapping of different Boards and the length of time required to

<sup>1</sup> Cmd. 1645. 1922.

modify wage rates, which, following always some months behind, cause hardship and loss.<sup>1</sup>

On the other side it was pointed out by many employers' and workers' organizations, that unemployment was general owing to the depression, and could not be ascribed to the fixing of legal rates. It was urged further, by members of clothing and laundry trades, that their loss was due not to high wages but to the tendency of the large wholesale firms to absorb the demand. Many people who previously bought clothes "to measure" now purchased them ready made. And even before the laundry trade came under the Act, it was pointed out there had been a strong tendency towards the installation of heavy machinery to replace hand work. Further, most of the regulated trades are seasonal, and heavy discharges of workpeople at certain periods of the year are normal features of the trade. Actually, as Professor Henry Clay pointed out in *The Times* of September 26th, 1921, whereas the average unemployment of all industries was 13.15 per cent., that of trades covered by the Trade Boards varied from 5.7 per cent. to 10.2 per cent., i.e. well below the average. As regards the complaint of aggravated competition by traders not employing labour, or by foreign producers, this must take place quite independently of Trade Boards, if there is any system of wage regulation at all. Moreover, it should be noted that the Boards do not

<sup>1</sup> It is perhaps worthy of note that no complaint came during the boom when wages rose after prices, but the grievance is stated only because of delay in lowering wages.

attempt to fix a wage which provides for a minimum of decent subsistence, but fix one always with reference to what the trade can bear ; and they are thus forced to take into account all outside competition, whether from home or foreign traders.

Strangely enough, after a volume of evidence in favour of the Trade Boards, the Cave Committee summed up with an adverse recommendation. They suggested a reversal to the principle of 1909, i.e. that Boards should be established only in "sweated" industries and not, as in the 1918 Act, wherever there is no organization of workers enabling them to negotiate wages for themselves. As yet the recommendation of this Committee has not been embodied in an Act,<sup>1</sup> and it is much to be hoped that it never will be. It is necessary to protect not only the worker whose ignorance or need induces him to accept very low wages, but also the good employer in any trade where organization is not strong enough to do so. Many employers stated their willingness and ability to pay reasonable wages, but showed that this was impossible as long as others in the trade were at liberty to cut wages and undersell them in the markets. In a strongly organized industry the trade union, by insisting upon standard and uniform rates, prevents this unfair competition ; and thus, in protecting its own members, incidentally protects the good employer. Where there is no organization, the only alternative

<sup>1</sup> An indication, however, of the intention of the Government to bring in such an Act is shown in the King's speech at the opening of Parliament, February 13th, 1923.



is the fixing of a minimum rate enforceable by law.

The Trade Boards have also had good results in bringing about better relations in the industries concerned. Professor Hobhouse, who has acted as chairman of many Boards, states that in innumerable instances it is unnecessary for the impartial members to use their votes, because the two sides come to an amicable agreement. And having discussed wages in this spirit, they do not find it difficult to turn their joint attention to other matters. The Trade Boards by giving employers and workpeople a chance of meeting in conference, by stimulating organization on both sides, by giving hope and a better life to thousands of oppressed workers, are creating that spirit of tolerance and independence which will, in the future, make their legal character unnecessary. This point of view is excellently stated by the War Cabinet Committee :—

“ . . . We look forward to a time when women will be able to establish and maintain their own Standard Rates in their own occupations, just as men have done, by collective bargaining. But all the facts revealed in the present inquiry show that women are still very far from having attained a position which would enable them to bargain independently with employers, or maintain their rights in demarcation disputes against other organizations. It is necessary first to give them an escape from the vicious circle of low efficiency—low wages—low organization. The evidence shows that the principal obstacles to the organization of women in the post have lain in their low wages and precarious tenure of employment, and that the establishment of minimum rates by the Trade Boards has in several cases been followed by a greatly strengthened Trade Union

organization. There is thus no inconsistency, but rather an intimate connection between the protective measures we recommend (i.e. Trade Boards) and our belief that the best hope of real and permanent amelioration of the position of women in industry lies in Trade Union action."

The history of the past shows that any legislative regulation in favour of workpeople is invariably resisted by some of the employers, who complain of their inability to pay their way, of shrinkage of trade and of consequent unemployment. And if they can show these complaints to have foundation, they feel they have made out a conclusive case for removing the regulation. This is far from true. Theoretically, in fact, it is impossible to find any economic justification for a refusal to establish by law a national minimum wage below which nobody shall be employed. The cost of production of any article is simply the sum of the human efforts and sacrifices expended in the making of it ; and unless the person making those efforts is kept alive and in health he is manifestly unable to continue doing so. The State has already taken upon itself the duty of insisting upon minimum standards of all kinds, of hygiene, sanitation, factory conditions, leisure, housing, decency, education, etc. ; and in principle there is no difference between these and a similar insistence on a minimum wage. If Society wants particular commodities or services its desire must be intense enough to make it willing to repay adequately the human costs involved, or else its want must remain unsatisfied. And if the establishment of a

national minimum raises costs of production to such an extent as seriously to diminish the demand, it proves simply that until that moment labour and capital had been wasting effort in providing goods for which Society did not particularly care, and which it is quite willing to do without. The higher wage would then have the beneficial effect of killing off a parasitic trade which had only been kept alive at the expense of others.

But the establishment of a minimum need not necessarily raise costs of production. Firstly, because the better wages increase the efficiency of the workers. And as only the most far-sighted employers are able to understand this, the others must be forced to try the experiment. Secondly, because the higher wage induces better managerial organization—an undertaking which necessitates thought and which is therefore usually not attempted except under some such pressure. Thirdly, because it forces out of the trade the incompetent and inefficient employers, who should not be in the trade at all, and who manage to exist only by continually cutting down wages. Now, although this last is the best thing that could happen, it is naturally enough generally the employers of this group who point to their loss of trade and inability to make a living as reasons for removing the regulation, not comprehending that one of the best justifications for *maintaining* the regulation is that it knocks out the incompetent.

It is not argued, however, that the establishment of a national minimum wage by law would be

expedient at present. The effects of better wages take some little time to mature, and many trades which are at heart sound, may die off in the transitional period. It is, therefore, better policy to impose these minima trade by trade, giving opportunity and time for the industries to reorganize themselves each time on the new basis, before once again giving wages a jerk upwards towards the desired minimum standard. Since industries vary greatly in the time required for this reorganization, it is best to work at a different rate in each. The Trade Board is an ideal instrument for this work, because the representatives of employers and work-people can bring their knowledge to bear on the question, whilst the presence of the "appointed members" ensures that some agreement shall be come to in reasonable time. And, above all, the legal character of the Boards prevents the bad employer from triumphing at the expense of the good.

#### IV

In an earlier section it was shown that over the whole of industry (with the exception of sections of the textile trades) there prevails a male rate and a female rate of wages. For a very long time women, used to a subordinate, if not servile, position, have accepted this state of affairs without question or criticism. But ideas have begun to change. The greater part played by women in public life, their entry in growing numbers into the better-paid industries during the war, their recognition as respon-

sible citizens of the community, have produced a strong challenge to the old beliefs to justify themselves. As the "vested interest of the male" has been challenged in the political sphere, so too it is being questioned in the economic. Women are calling upon male workers and employers to show cause why there should be any more discrimination in regard to sex than with respect to height, age or religion.

The experience of the war has shown that one cannot safely generalize about the relative inefficiency of women as industrial workers. There are processes in which men have the advantage, there are others in which women show themselves superior. Yet even in the latter the wage paid to women is less than that paid to men; and it is impossible to say in what proportion of the former men would retain their advantage, if training and industry were thrown open to women as freely as to men. It is true that where women do not produce as much as men it would not be possible to pay them at the same rate, since their less output per head would require a greater capital expenditure on plant, space, power, light, heat, etc. But to allow the employer for that reason to pay a woman's rate (lower than the man's) is to give a prize to inefficient production. And from the point of view of national productivity it would be sounder policy to insist on exactly the same rate of payment, thus inducing the employer to utilize only that labour which is best fitted for the task, at the same time allowing openings for employment to those women who, exceptionally

endowed with the particular strength or skill requisite, are able to do such work equally with men. As an example it may be noted that for many years the London Society of Compositors has opened its doors to women on equal terms with men, and has thus protected itself against the introduction of women as cheap labour. In consequence, the majority of employees are men, but there are also employed (at exactly the same wage) a minority of women, who have been enabled to acquire the special skill demanded.

But even where women have a relative advantage in performing the process itself, it is claimed that they are worth less on other grounds. Factory Acts apply (in almost all instances) only to women. Anyone employing them is not allowed to work them during the night, or for more than a certain number of days overtime. Extra sanitary conveniences must be provided, and in some cases special appliances, such as overalls, or extra amenities, such as canteens and rest-rooms, are called for. All this involves more expense and bother. But again it cannot constitute an adequate reason for the unequal payment of men and women. Although regulations of industry were instituted primarily for humanitarian reasons, to protect women and children from the greed of their exploiters, they have now amply proved themselves to have brought in their train great economic benefits. By increasing efficiency and reducing accidents, and by allowing of a more normal life, they have greatly increased the productivity of the workers governed by them. Instead of

penalizing women it would react to the benefit of all if Factory Acts were extended to men. The limitation of hours of work and overtime, the entire prohibition of nightwork except where absolutely essential, and the extension to male employees of welfare benefits (as already undertaken by the more far-sighted employers) would immensely increase national productivity, while at the same time preventing employers from comforting themselves with the idea that this difference in treatment justifies their lower payment of women.

It is again urged that even when men and women perform the same job the man is more valuable to the employer because of his potentialities. The worth of this plea is shown in the already classic story of the Government's attempt to justify its lower payment of women lift attendants by contending that men deserved more as they were able to mend lifts that got out of order; whereupon the women's representatives immediately produced the Government's own official notice prohibiting men, under pain of dire penalties, from ever, under any circumstances, attempting to repair a lift! Most similar statements have the same truth. The days of all-round craftsmanship are gone by. Workers are employed to perform one special function and are neither expected nor (often) allowed to extend the sphere of their work. The absurdity of paying a woman all her life at a lower rate on the chance that once during that period there may occur a mishap to which her strength will not be equal, is quite manifest.

The claim to be regarded as an equal instead of as an inferior class is summed up in the demand of the women for Equal Pay for Equal Work—a formula, useful enough as a battle-cry, but, like all such, ambiguous and vague. Thus Equal Work may mean an equality of effort or sacrifice on the part of the worker which, at present, there are no methods of accurately measuring. Or alternatively it may mean equal output, that men and women should be paid according to the amount they produce. But if women invariably produce less than men, the greater amount of capital expenditure will result in their products being more costly than those of men. And one comes therefore to a definition of "equal work" as meaning "equal value to the employer," with its corollary that piecework rates should vary according to the difference in overhead charges involved in employment of the two sexes. This again is extraordinarily difficult to compute, and would generally result, as has been shown, in the introduction of women as cheap labour, and a consequent fall in national productivity.

Apart from the ambiguities of the formula Equal Pay for Equal Work, evasion of its principles would be easy. It is rarely that men and women perform absolutely identical work. Women may be introduced with a new type of machine, while even if they are employed on the old machine men may be engaged to oil and set. And it was no uncommon thing during the war for women's jobs to be deliberately "degraded" in order to justify their lower payment. Where equal rates for men and women



have been established by strong collective action, this obstacle can be overcome. In the cotton industry, for example, women require the help of men in certain operations, but both sexes receive exactly the same rate, and the women workers themselves pay the man to give the necessary aid.

But perhaps the greatest disadvantage of this formula is that it implies an individual bargain on the part of the worker. One may generalize by saying that in a certain trade women are less efficient than men. But it must be remembered that this is, and can be, only very broadly true. The capacities of every individual man and woman vary greatly, and to insist on each being paid exactly according to individual merits would involve a different rate of payment for each worker. Although this might possibly be the economic ideal, it is totally impossible when one remembers the appalling results of lack of combined action (as shown in the early nineteenth century or any unorganized trade to-day). The inequality of position of employer and employed is so great that a standard rate is the only method of protecting those who through lack of economic reserve are unable to stand out alone for remuneration adequate to their capacities. The universal recognition that it is just to establish a standard rate for all workers of one occupation, despite innumerable variations from the mean, leads one necessarily to the corollary that that rate must be paid to every worker whom it pays the employer to engage for that function. And if he chooses to

employ women workers there is no right nor sense in allowing him to discriminate against them as a class, than in allowing him to do so against any section of his male workers, owing to their smaller stature or lesser weight.

It is to the enforcement of universal occupational rates that one must look to remedy the injustice between men and women. This will not only effect a more just relationship between the sexes in employment, but will also result in a more efficient industrial system. In a purely competitive and unregulated system, the various producers are forced to pay more or less the same for raw material, for capital, transport, etc., and in their endeavours to under-sell one another, the easiest way to reduce immediate costs is to nibble at wages. But when this is no longer possible, attention has to be turned to securing economies by good organization. Greater care is taken that well-paid labour is engaged in the tasks for which it is best suited, and that the most perfect machinery is installed to help it. In India and Japan, where the low standard of life combines with the almost unlimited number of workers to make wages very low, costs of production are high because of the lack of incentive to economize labour by good management and expensive machinery. Whereas normally in England the reverse is true. And when women can no longer be used to under-cut men in the same occupation, there will be no incentive to use the relatively inefficient in place of the relatively efficient. The argument of the preceding sections shows that this does not necessitate a wholesale

removal of women from industrial occupations. Rather does it create an automatic tendency on the part of both men and women to be employed in those sections of industry for which their individual powers are most suited. At the same time the exceptional man or exceptional woman is left free to engage in those functions which the majority of their respective sexes are unable to perform.

It is, of course, impossible to construct any legislative enactment which could of itself remove the anomalies of wage rates. For even were it possible to do so at any one moment, the permanency of such an arrangement would depend on the power of the workers to maintain their rates. Everything finally depends on the degree of organization of the women workers and their collective power both to demand and to retain equal wages with male employees. Much, however, could be done by the Whitley Councils in those industries which have established them. One of the functions outlined as suitable for the councils was the discussion of "methods of fixing and adjusting earnings, piecework prices, etc.," under which heading the relations of men's and women's earnings would legitimately fall. It should, however, be a general rule for such councils, as well as for any Arbitration Tribunal to whose lot it falls to settle wage rates, to assume always that men and women perform equal work and should therefore receive equal pay. The burden of proof remains always with those who think otherwise.

A discussion of the demand for Equal Pay for Equal Work is incomplete unless it is realized that ultimately the view taken depends on one's conception of the rightful place of women in society. The old tradition insisted upon woman as invariably an adjunct of some man—as cared for, paid for, and protected from harm by husband, father or brother. And although a large number of women were always thrown on their own resources, the independent woman was thought of as entirely unsexed, to be viewed with pity or scorn. The reaction from this idea led naturally to the other extreme ; and ardent feminists insisted that woman must be treated in all ways as if she were a man. But a woman is not a man, and cannot be treated as such. Her potential maternity, her actual motherhood, the devotion of the majority of married women to home and children, the necessity for, at least, long absences from any regular work during the period of child-bearing and lactation, all combine to place women in a different category. There are, at present, two varying views. There are those who believe that social progress depends on women centring their interests in the home, and devoting all their energies to bearing and rearing children. There are others who jealously maintain her right to a freedom as complete and untrammelled as that enjoyed by the man. These see the greatest hope for the future in the development of her life outside the home and its interests. From both extremes we are

coming to a truer view that the right for which women should strive is neither complete sex specialization on the one hand, nor complete disregard of sex on the other. The claim is, rather, for full opportunities for freedom of choice—for an option instead of a compulsion to accept economic dependence, for the alternative possibility of earning for herself as free and complete a life as she desires.

Now whatever may come to pass in the future, it is fairly certain that to-day the vast majority of women, whilst passionately demanding the right to choose for themselves the pattern of their lives, have still strong within them the instinct which makes them long for a home of their own, and for husband and children to whom to devote themselves. As far as it is possible to prophesy, the normal social unit is likely to remain, for some time, the father, the mother and the young children. This means that the greatest number of women will not work for wages for more than a portion of their lives ; but during the remainder they will be working no less hard in services on which no money value can be placed, i.e. the bearing of children and the creation of home life. And during this period, therefore, the money income for their support must come from some other source—at present the earnings of the father.

As has been argued before, the needs of the worker and his family are far from being the main determinant of his wages. But it would be wrong to assume that needs exert no influence on earnings. It is largely the customary standard of life of a

particular class or the desire to improve that standard, that stiffens resistance to wage reduction, or impels to further efforts to improve conditions. It determines, so to speak, the Supply Price of the workers of that class, and as such has, at least, some influence in the final settlement of the wage rate.

On the whole the needs of the man and of the woman, when young and single, are the same. For although the woman is normally smaller and requires less food, she has to spend more than he on lodgings and dress, whilst recreation, books, transport, etc., are an equal expense for both. Both, too, have the same need for saving, either for the possible expenses of marriage or possibly for old age. But with the married man it is different. For although women very often have some dependents, yet it is true to say that it is normal for a man to have others than himself to support, whilst for women this is not equally normal. And as long as this remains true there cannot be the same incentive for women to improve their wages as there is for men. From this dilemma—the justice of Equal Pay for Equal Work on the one side, and the obstacles to it on the other hand arising from woman's less potent need for the maintenance of the highest rate—only one group of people have found an escape, in the scheme for the Endowment of Motherhood.

At present, in so far as the needs of the worker, i.e. his standard of life, help to determine wage rates, it is the amount required for the "standard family" which is taken as the basis of the living

wage. This "standard family" is always assumed to consist of father, mother and three dependent children (i.e. under fourteen years). All averages have a trick of straying from realities and this standard, which represents very few families, is no exception. Many adult males are unmarried, many are married but have fewer than three dependent children, many have more than that number. Professor Bowley estimates that of all men workers over twenty years in England—

27 per cent. are bachelors or widowers.

24.7 „ are married with no dependent children.

16.6 „ have one dependent child.

13 „ have two dependent children.

8.8 „ have three dependent children.

9.9 „ have more than three dependent children, the children of this last class representing 40 per cent. of the total number under fourteen.

It is both the normal and the generally accepted ideal arrangement for the family to be supported by the work of the husband and father. Although the wife is performing household work for which the single man or widower has to pay, she has no legal claim on her husband's income (other than a right simply to be maintained). And although usually most workers give their wives the greater part of their wages, not all do so; nor is there any legal compulsion. At the same time the payment of the man does not increase as his responsibilities grow greater, with the result that each additional baby which has to be fed, reduces the share that can be

given to each of the others. Thus a wage which represents quite a decent standard to the newly married couple, becomes totally inadequate as the years increase the number of children to be fed, clothed and educated. Generally the man's share of food must be maintained, since it is on his exertion that the welfare of the whole family depends, so that the mother and older children are forced to pinch and scrape. For this they pay in lessened resistance to disease, less leisure and happiness, and less of the vitality which is essential if education is to be of any use. And even this proportionately reduced income depends on the ability of the man to remain in employment at the same wage, and on his willingness to hand over his earnings for the support of his family. So that even with the best will in the world on the part of the breadwinner the income of the family practically ceases during periods of depression, or during a strike or lock-out.

Even, therefore, if workmen *did* receive a wage based on the needs of the standard family, their earnings would have little relation to actual needs. Some would be receiving a greater, others a very much less proportion of the amount required; whilst in all cases the welfare of the wife and children would still be subject to the employment and good faith of the breadwinner.

It is to solve this problem that the Family Endowment Council put forward their suggestions. They recognize that the State cannot insist on employers paying each man according to the number of his family, since that would certainly involve the



dismissal of married men in favour of single. They propose, therefore, that children should be provided for out of a separate fund. The scheme for the National or State Endowment of Motherhood suggests that an allowance should be made out of national funds, to all mothers, from eight weeks before confinement until the last child reaches five years (school age). The amount of the donation proposed is 12s. 6d. a week for the mother, 5s. for the first child under five, and 3s. 6d. for each of the others. This amount is not calculated to be sufficient to support a mother and children, but represents rather the increase in family expenditure when children are added to it. It is suggested that the money be paid weekly, direct to the mother, on production of the requisite birth certificates; and that the only general supervision be the periodic medical examination of the children, to ascertain whether the money is being used for the right purpose. The cost of such a scheme is estimated at approximately £140,000,000 a year.

Another scheme to attain the same end has been put forward by Mr. A. B. Piddington, K.C., Chairman of the Australian Basic Wage Commission. In Australia wages have been based since 1907 on a minimum supposedly computed to provide for the needs of five persons. In 1920 a Royal Commission was appointed to revise the existing minimum of £3 17s. and reported that on prices then ruling this minimum would have to be raised to £5 16s. To raise the wages of all workers to this extent was stated to be impossible, as the wages bill would

exceed the total income of the country, and it was then that Mr. Piddington introduced his scheme for the Industrial Endowment of Motherhood. He suggested that the basic minimum wage below which no person was to be employed should be a living wage for man and wife, determined annually according to cost of living. By an annual estimate of the number of children of employees, and of the minimum cost of a child's maintenance, the total minimum cost of maintaining children actually in existence could be determined. Each employer would then be required to pay into a children's fund a sum fixed according to the number of workers, married or single, in his employ. And out of this fund an allowance would be made in respect of each employee's child to its mother or female guardian.

These schemes are exceedingly attractive and have much in their favour. They would relieve the embarrassment of the supporters of Equal Pay for Equal Work, since women could no longer be introduced as cheap labour on the grounds of having no dependents. They would prevent the wastage of woman and child life through lack of nourishment. They would lighten the tragic situation of the widow, forced into the factory to support her young children. They would give to the mother some economic independence and make a practical recognition of the value of her work in the home. But such far-reaching proposals require a searching examination.

The first question that springs to the mind is the probable effect on the birth-rate. It is said that since the endowment will mean more to the

poorer and less stable classes than to the richer; there will take place an increase in the birth-rate of the less socially desirable out of all proportion to the others. But it is extremely doubtful whether this would happen. The removal of economic anxiety may, it is true, abolish the last check on the high birth-rate of the least responsible. But, on the other hand, it must be remembered : (1) that this class cannot, at present, exercise much control, owing to ignorance, to despair, to overcrowding and lack of privacy ; (2) that a better standard of living, and particularly a greater stability of income, has always, in the past, resulted in a lower birth-rate. It is not until there is sufficient security of income to make possible, as it were, plans for the future domestic policy that parents restrict the number of their family in the hope of improving the prospects of those children they have ; (3) that greater economic independence will give the women those opportunities for acquiring knowledge—already possessed by their richer sisters—to prevent the indiscriminate bearing of children. One cannot, therefore, make any safe prophecy as to the effect on the birth-rate. Endowment of motherhood is just as likely to decrease the families of the very poor as to increase them. But there can be little doubt that endowment would increase the rate of the steadiest and best elements in the community, and enable the most far-sighted to provide a better standard than is now possible.

Other more important objections which have been brought forward relate to the effect on the unity of

the family and the potential energy of the father. It is urged that the ideal marriage relationship is a partnership of husband and wife ; and that to provide separately for the wife would give to the father the idea that his earnings can now be devoted entirely to himself. This argument has little strength. It is the usual thing for married women of the middle classes to own property, and it cannot be said that this has weakened the marriage tie. Nor is it usual for the male parent in these classes to show little interest in, or affection for, his children. Generally the higher the standard of life, the keener are both parents to plan ahead for the good of the children. And it is unlikely that the security of at least bare necessities to wife and children will stifle in the working man all his paternal love.

Similarly, it cannot be urged that the partial support of the family will make the worker feel it unnecessary for him to produce more than sufficient for his own needs and thus react adversely on wages and production. It is, at least, equally probable that the reverse effect will take place ; and that with a new hope the worker will devote his energies to increasing his wage, so as to provide with it all those extra refinements and pleasures which become possible.

There are, however, some very grave drawbacks. Although the Family Endowment Council emphasize that only a minimum of supervision is necessary, there can actually be little guarantee or hope of this. If the State spends a huge sum yearly providing for children, it may thereby acquire the right

to say both what kind and what number of children should be produced. And however little supervision may be made at the beginning of such a scheme, the door is at once opened to inspection of, and intolerable interference with, the most intimate relationship of life. The scheme for *industrial* endowment has an added disadvantage in that it restricts very seriously the liberty of one section of society—the workpeople (and workpeople only, since it refers only to employees in industry). By proposing that the worker should be paid only sufficient to maintain a man and wife and that the rest should go to the Children's Fund, Mr. Piddington's scheme says, in effect, that workpeople shall not be permitted to choose how they shall spend their earnings—that if they do not want children themselves, they must give up their earnings to those who do.<sup>1</sup> Very many couples feel now that they prefer, for some years at least, not to have a family, but to devote their extra earnings to acquiring greater culture, to travel or to working for some cause they have at heart. This scheme forbids the satisfaction of such inclinations and implies that the only reason for which men *should* earn is in order to provide for the needs of children. Now, to assume that selfishness actuates those who refuse to produce children is manifestly unfair. Children are not born primarily for the benefit of the State, but to satisfy a deep need, an instinct to perpetuate

<sup>1</sup> The State scheme has not this defect. Here wages remain as before, the allowance being the *extra* cost involved in rearing children.

oneself, or to have some loved one for whom to care. It would, in fact, be just as easy to argue that to bear children is actually the height of selfishness. There are many economists to-day who insist that a lower birth-rate is the only safeguard for the future of a world whose population is already pressing heavily on its food resources. And, finally, there are many who, after the miseries and horrors of the last years, do not feel they are conferring any privilege on a child by bringing it into a world which offers so slender a guarantee of happiness to coming generations.

It seems, on the whole, that, attractive as a system of family endowment undoubtedly is, it represents, in the words of Miss B. L. Hutchins, "Socialism beginning at the wrong end." We must be much more certain of our aim both in society and in the family before tampering with these most intimate relations. It seems safer instead to develop along the present lines. The greater financial responsibilities of parents are recognized in income-tax abatements, in provision of education either free or below cost price, in school meals, maintenance grants, milk for nursing mothers, etc. And although it may be argued that to give help in kind instead of allowing the mother the right to expend the cash equivalent as she thinks best, is not a perfect method, yet it is still free from the greater disadvantages discussed above. It certainly does not satisfy the demands of the feminists that the status of women should be improved by making them, at least partially, independent of men. The handicap of the woman who has the misfortune to

be married to a selfish or degenerate man will not be removed by better wage rates for men, even with special consideration to him as a taxpayer. But nothing else could adequately protect such a woman ; for it is difficult to conceive of any legal method which would free a wife from the miseries of living with a bullying brute or with one determined to be supported by her. One can only trust that better education will give to her a growing sense of her independence and rights as an individual.

There is one type of endowment to which, however, no serious exception can be taken, viz. widows' pensions, such as are already provided in many of the American States. The woman who is left with the care of young children is in the most pitiful position. Presumably she has been out of the industrial world for some years, and has thus lost most of whatever skill she may previously have acquired. She has no knowledge of how to obtain work of the types to which she is suited, nor of the worth of her labour. And for the sake of children waiting for food she is prepared to accept whatever pay and conditions are offered. Not only is her own Supply Price thus lowered, but her competition pulls down the wages of other women workers. At the same time the work for which she is fitted, the care of home and children, must remain undone ; and even if from her meagre income she pays some one to " mind the baby," the " toddlers " are necessarily left in a most neglected state. To the provision of pensions to such women there are absolutely no economic objections. There are, on the other

hand, immense social advantages to be gained.

It may be interesting to see what has been done in other countries.

FRANCE.—Since 1890 the French Railway Companies have paid to their employees an allowance for each dependent child, in addition to wages. In 1917 the State granted similar allowances to all its officials. But the most interesting development has been in the voluntary schemes in force in ordinary industry. This movement began in 1918, when the metallurgic firms of Grenoble formed an association for the payment of Family Allowances (*Caisse de Compensation pour Allocations Familiales*). The idea spread rapidly, so that three years later there were already fifty-three of these associations. Usually the members of the association belong to the same industry, but this is not always so. The main principle is as follows :—

The firms joining the association agree to form a pool for payment of family allowances. These allowances are, in the first instance, paid by the individual firms (according to an agreed scale). Periodically the firms make returns showing their total wages bill and the amount paid in allowances during the preceding period. The amount due to the pool from each firm is then calculated according to the proportion between his wages bill and the total wages bill of all members. If he has already contributed more than his share in allowances, the excess is refunded or vice versa. Some associations pay allowances in respect of legitimate and illegitimate children alike; others only for legitimate.



Allowances are paid for the dependent children of women workers if there is no father capable of work.

A Bill to make family allowances universal and compulsory was brought before the French Parliament, but was not favoured by the employers' associations, which prefer voluntary action.

GERMANY.—The payment of family allowances, introduced during the war for civilian workers as well as for soldiers, was stopped at the revolution. But the increase in the cost of living caused it to be reintroduced towards the end of 1919 and some provision for dependents has since been embodied in most collective agreements, especially in mining, iron, steel and metal industries. Apparently as yet this has led to no discrimination against married men, a fact to be accounted for probably by the shortage of labour in Germany, and by the value attached to the greater stability of married men. There is also a law which prohibits the dismissal of workers except for legitimate causes. Both in France and Germany these schemes have been introduced definitely for the purpose of keeping down the wages bill.<sup>1</sup>

MOTHERS' or WIDOWS' PENSIONS have been introduced in many countries. They have been paid in New Zealand to widows with children under fourteen since January, 1912; in Denmark since 1914. Forty States of the United States of America have adopted the scheme. Mothers' Pensions are

<sup>1</sup> See *Motherhood and Child Endowment*, published by the Trade Union Congress and the Labour Party.

paid in five out of nine Canadian Provinces, in the Union of South Africa, and in four out of five States in Australia.<sup>1</sup>

<sup>1</sup> See Hansard Debates, March 6th, 1923. Speech by Mr. Rhys J. Davies, M.P.

## CHAPTER VII

### GOVERNMENT AND INDUSTRY •

#### I

THE earlier political philosophers set themselves the question, "Who shall govern?" As far as one can prophesy that question has now been finally answered. For good or ill, men have come to look upon the democratic community as the ideal; and although this ideal is nowhere more than partially realized, although democracy is as yet still in its experimental stage, and although academic discussion may busy itself with postulating other forms of government, it is unlikely that the mass of men will waive their adherence. But having answered this first question more or less satisfactorily, another no less important immediately presents itself: "What shall the Government do?"

This chapter seeks to show how this question has been answered in regard to one aspect, i.e. the relation of the people's representatives to the economic activities of the community. Although the answers given in the last two hundred years vary greatly, they have one characteristic in common. Most people have agreed that the object of the State is to promote the welfare of the individuals of whom

it is composed. And the differences of opinion are found, firstly, in the varying definitions of welfare that have been given, and secondly, in the competing methods that have been advocated to attain the desired end.

During the seventeenth and most of the eighteenth centuries the State played a very active part in the ordering of economic activities. Industry was regarded, not as necessary work to provide the material requisites of well-being, but as a powerful weapon to be used in whatever way would serve national aggrandizement. Politicians thought first of the might and power of the State; second, of the welfare of the citizens of whom the State was made up. Trades were encouraged or discouraged in so far as they contributed or not to this end. There still persisted, too, remnants of the old feudal idea, which thought of society as composed of horizontal grades, fixed and unalterable; and as the conditions of the time were thought to be divinely ordained, any movement of an individual from one stratum to another higher in the scale was regarded with the greatest hostility. Testimonies to this old belief are found in the apprenticeship laws, part of whose object was the prevention of those lower in the social hierarchy from entering the crafts, and in the right of the Justices of the Peace to fix maximum wages for different grades of workers. Had this theory of the proper functions of the State been put into practice, the Government would have been forced to supervise every process of manufacture and every business transaction,

and to have decided the wage of every man, woman and child employed for pay. Actually, practice varied enormously in accordance with the public opinion of the day and with the interests of those temporarily in authority. And already in the early years of the eighteenth century there were signs that new ideas were beginning to stir the minds of many thinkers. But it was not until Adam Smith published his *Wealth of Nations* in 1776 that these new ideas were given philosophical clothing and status.

Adam Smith began with the individual and ended with the State. He believed it to be axiomatic that every individual desires his own prosperity and knows best how to attain it. It was therefore unnecessary to bother about the prosperity of the State; for that prosperity must be the inevitable result of the "simple and obvious system of natural liberty." Instead of postulating the powerful State and working backwards to the necessary activities of the citizens to procure it, he showed that the actions of the individuals, if left unhampered, would be so guided by self-interest as to bring about the best State possible at the time. The functions that he allocated to the Government were, therefore, very narrow. In common with most he believed that the State had one essential duty in the maintenance of law and order, i.e. in the administration of justice and in defence against foreign aggression. Other than that, the State should do nothing—except, perhaps, to establish certain public works of benefit to all, as, e.g., roads. And while declaring that both

religious and educational institutions should be maintained and governed as far as possible by those directly interested in them, yet he considered it permissible for the Government to do something towards their support.

It is natural enough that Adam Smith should have desired to sweep away all relations of State and industry. For not only had the motive for the Governmental regulations been bad, but the lack of any good administrative system had resulted in the application of the regulations in niggling and unequal fashion. The whole of the business community was tired of the restrictions placed on trade expansion. But although Adam Smith's doctrine was eagerly accepted and preached by both business men and statesmen, and although, in fact, the first half of the nineteenth century is considered pre-eminently *laissez-faire*, there was no group of people willing to accept this teaching fully in practice, and no period at all absolutely free from State interference. Each group lauded the glories of the new theory when they saw possibilities of gain if left free to do as they would ; yet pleaded extenuating circumstances if they wished the liberty of some rival to be limited. Dazzled by the visions of untold wealth that the new industry held before their eyes, the manufacturers insisted on their right to absolute control over the men and machines they employed ; yet at the same time, in their commercial relations, they held grimly to the protection of the State by means of tariffs. The landowners and farmers subscribed heartily to the *laissez-faire* theory

in general, but argued that agriculture must receive special consideration and the Corn Laws be retained. From the very first, however, it was apparent to some that the policy of non-interference could not be carried to its logical conclusion. The horrors attending the work of women and children in factories and mines roused many to agitate for the protection of those too weak to protect themselves ; and the first Factory Act was passed in 1801, a decade before even the repeal of the Apprenticeship Laws.

By the middle of the nineteenth century it was fully apparent that the State would have to assume certain responsibilities and more positive functions, —a position at once more possible and more acceptable, because of the better public administrative system which was gradually being evolved.

John Stuart Mill, who wrote in 1848, represents, therefore, a considerable advance on the extreme *laissez-faire* theories of the earlier period. Although he always held to that doctrine in principle, he set no rigid limits to the extent to which the State might justifiably interfere. But the *laissez-faire* philosophy was always basic in his thinking. To him, always, there was direct opposition between State control and individual liberty, and any increase in the power of the State must, in his view, be prejudicial to freedom. Above all, however, he was Utilitarian. So to all policies he applied the standard of the "greatest happiness of the greatest possible number." He held that it was right for the State to provide certain amenities as, e.g., education, which is conducive to lasting happiness and which yet may not

be demanded by those who are unaware of its benefits. But in every instance he insisted that the effects were to be the test.

“ There is a multitude of cases in which governments with general approbation assume powers and execute functions for which no reason can be assigned, except the simple one that they conduce to general convenience.”

Mill realized, too, a point of great importance—that in a large community the State may have to pass laws, not to compel citizens to do something distasteful to them, but to protect them in carrying out their own voluntary policy. When manufacturers are competing against one another, good employers are afraid of giving better wages to their workers because of being under-cut by those unwilling to do the same. And often all in the trade are willing to work according to certain rules ; but, through lethargy or slackness of corporate organization, are unable to frame such regulations or to take precautions for their proper execution. Where such regulations are for the public good (e.g. Factory Acts) the State is the right authority to supervise them.

“ There are matters in which the interference of the law is required not to override the judgment of individuals respecting their own interests, but to give effect to that judgment, they being unable to give effect to it except by concert, which concert again cannot be effective unless it receives the validity and sanction of the law.”

Although Mill looked upon himself as a supporter



of *laissez-faire*, his work actually forms the transition towards the later ideas. For his praise of the virtues of Individualism is modified by his insistence on the social ideals which coloured the middle of the last century. The Chartists, the Co-operators and the early Socialists were urging that human progress could come only through association, that Individualism was a sterile philosophy which, even if it had been useful in sweeping away old hurtful restrictions and privileges, had nothing constructive to offer in the solution of the new problems to be faced. To the study of State functions, therefore, Mill brought a social standard. While maintaining that *laissez-faire* should be the general policy, since every departure from it implied some loss of liberty, he yet felt that no rigid limits to State action could usefully be set. In all cases the balance of happiness must be the test.

A large number of social thinkers followed Mill in the attempt to reconcile a theoretical belief in Individualism with the knowledge that it was becoming imperative for the community to protect itself against the more obvious evils of competition. In most cases the inconsistency was not realized. Legislation was proposed to remedy specific evils, and ardently supported for humanitarian reasons by those who were continually lauding the virtues of the system that produced the evils. But later in the century there developed a more definite challenge to the validity of the *laissez-faire* ideology. Karl Marx's writings showed the miseries of the times to be the inevitable result of a system which

allowed a minority to live on, and control the work of the majority. His demand for the organized community to take into its own hands the whole business of production and distribution did much to exalt the State in the eyes of all those who came under his influence. Many began to ask: Does Nature, left to herself, really cause the fittest to survive? For those whom Nature chose might not always be the ones Man judged most worthy. The poor and the weak had little chance to develop their potentialities in a world left entirely to natural forces; and a genius with no commercial aptitude, in a purely Individualist State would be almost certainly pushed to the wall.

But, as always, the reaction to *laissez-faire* in practical politics came not as a consequence of a change in political ideals, but because of the pressing necessity for the solution of innumerable problems. Philanthropists urged that children could not possibly be considered as free contracting agents. It was, therefore, the duty of the State to protect them in their bargains with employers. But if children were not free, could young persons or women be regarded as any more so? And, indeed, was an adult male, with no economic reserve and no opportunities for gaining information of other openings, in any stronger position? The beginning of railway transport, with its inevitable quick development along monopolistic lines, again forced the Government to deviate from strict *laissez-faire*. For this theory assumed the existence of competition to ensure that the best and cheapest was offered to the public.

And when the railway companies limited competition in their own interests the State was forced to exercise a discretionary authority in the fixing of rates, prevention of accidents, etc. Circumstances, rather than theories, forced the State to take more and more part in the details of industrial organization ; so that almost imperceptibly the attitude has changed. The evils to be remedied have come to be regarded more as due to defects in the economic and social structure, and as such they are naturally social problems to be solved by society. So that the last sixty years has seen a series of laws designed to protect those at an economic disadvantage.

## II

The relations between Government and Industry can be considered in four categories, according to the motive which the State seeks to serve and the degree of restriction placed on the liberty of the individual. In the first two groups the State lays down the conditions under which business shall be done and production carried on. In the third it comes to the support of private industry. In the fourth the State itself functions as a producing concern.

The growth of industry and the development of joint-stock businesses have made it necessary for the State to establish laws regulating the procedure of companies, in order to protect those wishing to invest their money. The Companies (Consolidation) Act, 1908, lays down that companies must be registered with the Board of Trade, and makes

regulations as to powers of directors, publication of accounts, etc. Many other laws frame the conditions of business contracts, the use of trade marks, etc. The bulk of such legislation aims at preventing fraud and sustaining the validity of agreements. Similarly, the gulf which the complexity of modern industry and commerce places between producer and consumer, renders it exceedingly difficult for the latter to be certain that he is getting value for his money. There are some commodities of which the ordinary purchaser cannot possibly be an efficient judge. Here it is the work of the State to inspect and guarantee. The purity of gold and silver, the standard of foodstuffs, the maintenance of standard weights and measures are evident concerns of the Government.

A much more important aspect of the work of the Government from a social point of view is the gradual development of a minimum standard. In almost every province the State now insists on a minimum—of health, safety, efficiency, necessities of life, etc. A century of Factory legislation has at last resulted in giving to women and young persons a minimum of leisure, by establishing the statutory day longer than which it is forbidden to work for pay. The influence of *laissez-faire* is still seen in that adult males are not covered by the Factory Acts. In only two industries, mines and railways, are their hours fixed by law. Actually in most industries the work of men and women is so interdependent that the limitation of men's hours follows automatically on the limitation of the women's.

Otherwise it is left to voluntary associations to secure a minimum of leisure for men. Employers' Liability and Workmen's Compensation Acts; Acts to enforce fencing of dangerous machinery, provision of ventilation and sanitary accommodation; Acts to exclude certain workers from dangerous trades and processes; the Welfare Orders made by the Home Secretary under the Factories and Police Act, 1916—all these combine to establish a minimum of health and safety for employees. Until recently any attempt on the part of the State to regulate wages was considered absolutely revolutionary, and certain to bring ruin in its train. Here, above all, it was contended that "natural forces" must have free play if England was to maintain her position in the world markets. Yet here, too, the State now establishes a minimum standard of maintenance. The special circumstances of mining have resulted in the Coal Mines (Minimum) Wages Act, 1912, which ensures that a miner working in a "bad place" shall receive some remuneration for his work. (Prior to the passing of this Act, a miner, paid on piece work, might work all the week for no pay, because the place yielded no big coal.) The Trades Boards Acts of 1909 and 1918 establish minimum rates for 3,000,000 men and women too weak and unorganized to negotiate wages for themselves. The Insurance Acts of 1911 and 1920, with their amendments, provide that those unable to earn through sickness or unemployment shall not be destitute. Old Age Pensions serve the same purpose for the aged.

In almost all these cases the minimum provided

is low enough. The important thing is that the State recognizes the principle—the responsibility of the community for the health, safety and maintenance of all its members. Gradually the realization is growing that men's lives are so closely bound together that it is not often possible, justly, to lay all the blame for misfortunes on those suffering them. A generation which regarded all as having equal opportunities, which thought of all men as economic abstractions, endowed with full knowledge and perfectly free choice, naturally concluded that each man's position in the world was the result of his own choice and effort. Any attempt, therefore, to alter that position meant a tampering with personal liberty and an unwarrantable interference with the right of the individual to choose his own way of life. When this belief was modified to fit more closely to realities, when it was understood that large numbers of men have no opportunity to exercise freedom of choice, but are the victims of forces beyond their individual control, the conclusions drawn from that belief had naturally to be modified too. The twentieth century does not think of *Man versus* the State, or of State action as necessarily an infringement of liberty. The prohibition to women to work immediately after confinement, or for hours longer than any can endure, or for wages on which life cannot be supported, cannot rightly be considered in any other way than as the foundations on which a free, full life may be built up. Modern generations are coming to think that life is much more communal in nature than men, a hundred years ago, were

willing to believe. J. S. Mill drew a very clear line between the part of human life "in which it is chiefly the individual that is interested" and the part "which chiefly interests society." Thinkers of to-day would hesitate before making such a rigid distinction. Almost every action of the individual turns outwards as well as inwards, and it would be difficult to justify a belief that any class of actions is entirely and permanently beyond the province of the organized community. Certainly in the economic sphere such an assumption would be unfounded. Men carry on the work of production and distribution in the framework that society has built up. The division of labour which is the chief characteristic of modern industry, has brought about an extensive, though largely unconscious, co-operation ; and any alteration or disturbance to one part must inevitably have reactions on all the others. An industrial concern, therefore, is not a purely individual thing, but one unit of a huge social structure, both affected by and itself affecting all other units. As such its concerns become of the most vital interest to every member of the community, since the community is a partner in every firm.

This partnership of the State in industry is shown in the third class of relations, i.e. the assistance of the State in the promotion and carrying on of industrial activities. The avowed object of such action is to help to utilize the full resources of the country. In 1909 the Development Commission was set up to help the agricultural industry, by providing instruction in scientific methods. Schemes were to be

drawn up by the Universities, and public institutions not trading for profits; and a grant was to be recommended if the Commission thought favourably of them. Scholarships and research equipment have been established at some of the Universities, and attempts made to disseminate information as to scientific farming.

The war placed the agricultural industry in a peculiar position. The difficulties and insecurity of transport threw England largely on her own resources as regards food supply. To induce the farmers to produce the quantity necessary, the Government was forced to subsidize, by guaranteeing the price of corn. The end of the war was followed by the stoppage of the subsidy (despite the Government pledge to maintain it for a number of years); and with new supplies available from abroad, prices naturally fell. As a result the farming community has suffered. An agitation has been set on foot for the permanent support of the industry by the State. Agriculture has always considered itself, even in *laissez-faire* periods, as having a right to special consideration. And although that right was mainly traditional, and was due to the fact that the owners of land, as the ruling class, were able to protect their interests by law, the plea gains many supporters to-day, both for political and for social reasons. A nation which depends on other countries for her food supplies is at a disadvantage in time of war. There are many who therefore urge that agriculture should be looked upon as one of the Defence Services and supported out of public funds. The amount



of enthusiasm one feels for such an argument depends entirely on the anticipations one has of the future. Those who believe that war is inevitable, and that all the energies and resources of the nation should always be organized in such a way as to be capable of quick mobilization, naturally think of State support of agriculture as the first line of defence. But if agriculture is a Defence Service, why leave its development to the hazard of private enterprise, which allows private interests to reap the benefits of peace time? Why not unite it with the Army, Navy and Air Forces? Instead of distorting the economic life of the community, it seems a saner policy to work for peace.

Socially, agriculture has more claim to be considered as an exception. The valuable coal and iron deposits of England, her special position as a point of communication between the New World and the Old, and her inventive genius, have combined to develop the industrial side of her economic life at the expense of the agricultural. With that development has come the growth of huge, unwieldy, badly planned towns, devoid of beauty, light and air. The life of the majority is spent within sight of brick walls and smoky chimneys, with no opportunities for discovering the joys of the country-side, or of indulging such tastes once acquired. It is felt that a nation's life so divorced from the land, so compulsorily artificial, can be neither happy nor healthy. That many town workers feel the need to get back to the land can be deduced from the enthusiasm displayed on the allotments during

and after the war. There are many, therefore, who urge that in order to maintain a healthy social balance the State should assist agriculture by encouraging small holdings, by arranging special credits, by a stricter control of transport charges, etc.

But individual smallholders have little chance of success. The best service the State can do is the dissemination of knowledge. Iceland and Denmark have shown how profitable small farming can be if worked on a producers' co-operative basis. In those countries farmers co-operate to buy seeds, raw materials, expensive machinery, etc., and to dispose of their produce, thus eliminating the middleman and his heavy charges. To induce conservative English farmers to follow in their footsteps would undoubtedly be rendering a service to the whole community as well as to the agriculturist.

Housing plays such an important part in the social economy, and has such marked effect on physique, health, morals, etc., that it is natural that the State early took on itself certain powers of control. From the middle of the last century Acts were passed empowering local authorities to inspect houses, and to maintain standards of decency, cleanliness, sanitation, etc. Municipal lodging-houses were approved as early as 1851, and although it was left to private enterprise to erect model workmen's dwellings, associations for that purpose were encouraged by public authorities, and after 1866 were even granted loans out of public funds. Dur-

ing the years following there was a development simultaneously along two lines. Local authorities were given more power to prevent nuisances and defects in privately built houses, and from 1875 were themselves allowed to undertake the building of houses. The Consolidating Act of 1890 is an illustration of the decision of the State that housing is too important a matter to be left entirely to private enterprise. Part I of the Act empowers, and in certain cases compels, the local authorities to submit schemes for improving unhealthy areas. Part II demands that local authorities arrange for inspection of their districts from time to time, and close dwellings certified as unfit for human habitation. Part III deals with the provision of working-class lodging-houses and cottages. It allowed rural and urban district councils to acquire land by compulsory purchase within their areas for erection of workmen's dwellings. Many other acts have since been passed giving extra powers or amending those originally conferred. The tendency has been towards a stricter regard for health—e.g. it is now illegal to erect back-to-back houses—and towards making what was a permissive and exceptional authority on the part of local government, into a normal and even obligatory function.

But in spite of these many Housing Acts the majority of houses built before the war were supplied by private enterprise. Houses were produced like any other commodity, as a speculation, and were either offered for sale or let at a rent. The State laid down minimum conditions to which all had to

conform, but only stepped in as a producer when some great evil needed remedying, as when a district was so congested and so unhealthy as to be a public danger. The war, however, changed these conditions altogether. The building restrictions resulted in an ever-increasing extent of over-crowding—for population increased although the number of houses remained stationary. Houses already condemned as unfit for human habitation had still to be used, while the increasing congestion, with its greater wear and tear, added more quickly than normally to the number of dirty, unhealthy dwellings. When the war was over, the number of houses to be built in order to bring the level of housing back even to that of 1914 was so great, that builders and manufacturers of building materials found themselves in an unusually strong position. The boom in trade with its natural corollary—an immense increase in luxury building (palatial stores, cinemas, restaurants, etc.)—meant that nobody was willing to turn his attention to building workmen's houses at a price which a workman could afford to pay. The need was so desperate that in 1919 the Government was forced to come to the support of the industry by offering a subsidy to all—local authorities and public utility societies or private builders—who produced houses to let. Two years later, in a fit of short-sighted economy, the Government decided not to assist any further housing schemes beyond its commitments to that date. From 1919 to 1923 the numbers of houses erected under the State-assisted scheme were as follows :—

|   |  |                            |
|---|--|----------------------------|
| By local authorities and public utility societies . . . . . |  | 176,000                    |
| By private builders . . . . .                               |  | 39,161                     |
| By conversion of huts and hostels . . . . .                 |  | 3,056                      |
| Total . . . . .   |  | <u>218,217<sup>1</sup></u> |

Practically no houses for letting have been built without State aid.

A comparison of the numbers erected by public authorities and by private builders proves conclusively how hopeless a policy it is to expect private enterprise to make good a shortage of houses, estimated as, at least, 500,000. Although building costs have come down since 1919, they are still more than double pre-war. Yet wages are being continually lowered, so that it is impossible for people of small income to pay an economic rent for a new house. It seems unlikely that these conditions will change to any appreciable extent for many years. In the meantime the standard of housing is being lowered, dragging down with it standards of health, decency and morality. Public money is at present being used in an attempt to cure the worst social diseases; millions annually are spent on the hospitals, on tuberculosis dispensaries and sanatoria, on helping the weak and unfit. Bad housing conditions, much more than any other factor, are the root cause of these evils. It seems a more sensible policy to try to prevent as well as to cure. For over sixty years

<sup>1</sup> Ministry of Health figures—quoted by Mr. T. Mardy Jones, M.P., in the *Labour Magazine*, March, 1923.

it has been recognized that private enterprise cannot cope with the demand for the erection and maintenance of working-class houses, and proof has been given that the circumstances of the war have made it impossible for private builders to provide even a small proportion of the necessary number at a reasonable price. Obviously it is only the State which has the resources to undertake this gigantic task. For the next years, at least, the building of houses will have to be very generously subsidized by the State ; or better still, the organized community will have itself to undertake the actual construction of houses on a wholesale scale.

The State supports industry in other ways than by the grant of subsidies. The Consular service has always been of use to British traders all over the world, and since the war the creation of the Department of Overseas Trade has developed this work. Information is given with respect to sources of supply, possible markets, the relation of trade and foreign policy, etc. The present chronic depression has led to other temporary measures in the Export Credits Bill and the Trade Facilities Bill. The aim of both of these is to induce manufacturers and merchants to begin trading again on the strength of the State guarantee of part of the capital and interest required for the enterprise. In a different way the State acknowledges its partnership by the maintenance of Labour Exchanges, where employers can find employees, and workpeople find work, free of charge. And more and more the State is looked to as the proper authority for aid in settling indus-

trial disputes, and preventing the wastage of lock-outs and strikes.

It remains to consider the fourth category, in which the State, instead of simply controlling or supporting private enterprise, becomes itself a producing concern. The motive for undertaking such functions may be either political or social. The State has shares in the Suez Canal in order to control the route to India, in the Anglo-Persian Oil Co. in order to have a dependable supply of oil for the Navy, and has a controlling interest in British Dye-stuffs, Ltd., because the dye industry can be easily converted for the manufacture of munitions. The social motive is, however, the more usual.

There are many industries which for the sake of efficiency must be under a single control. If the carrying of letters was undertaken by competing firms the populous districts would probably enjoy an excellent and cheap service, but the more remote rural areas would have to pay very heavily to make it worth the while of any profit-making concern to perform a similar function for them. Yet for social as well as economic reasons it is essential that every part of the country should have facilities for cheap and quick communication. The postal service is, again, an industry subject very markedly to increasing returns, i.e. the larger the industry the cheaper the cost of service per unit, and for economic reasons it should, therefore, be a monopoly. The telephone service similarly must be under one control if efficiency is to be obtained. The value of a telephone is that by its means one is able to get quickly

in touch with others. Only if all telephones are operated as one service can any telephone user get the fullest benefit, by being enabled to communicate with the largest number of people.

Such services as post and telephone, etc., obviously call for State management. The operations are comparatively simple and routine in character. There is nothing speculative in them, none of the difficulties associated with the supply of goods to changing markets, or risks due to vagaries of demand. Above all, these services are so closely connected with everyday life that inefficiency or extravagance are forced on the attention of the community, which is thus able to exercise close supervision. It is significant that the prices of stamps and telephone calls went up only towards the end of the war, and then rose very much less than the prices of other services and commodities. Yet even so there was a storm of protest from the public, who had thought it quite natural to pay enormously inflated prices for goods supplied by private producers. The Postmaster-General was forced to give a detailed analysis of accounts, in order to justify his action. Private enterprise would never be called upon to make such an apologia.

In other industries technical considerations demand unified working. In the provision of gas, water, tramways, etc., the initial expenditure on plant is so heavy that only if it is fully utilized is it possible to cover expenses. Hence such industries must be monopolies, and because of their great importance in social life must be either strictly controlled or



actually owned and managed by the public authority. This group is continually being added to.

Yet despite the many ways in which the State is related to industry, it has little, if anything, to do with the actual ordering of industry. Except for the small group of national or municipal services already spoken of, production is left to private enterprise, on the assumption that motives of self-interest will induce people to supply in sufficient quantities, and at a reasonable price, all the goods for which there is a demand. It is not thought necessary for the State to hold any views either with regard to the value of the things produced, or the degree of efficiency shown in their manufacture and marketing. The land which produces the raw material, the manufacturers who turn it into finished goods, the banks and financial houses which provide the credit and the mechanism of business exchange, the railways and other transport agencies, the warehouses and retail shops—all these work almost exclusively with private capital, and in the interests of the owners of that capital.

The belief is growing, however, that this is not invariably the best nor the most efficient method of carrying on industry. The twentieth century cannot believe, as did the nineteenth, that by some divine alchemy selfishness and greed are transmuted into altruism. Private interest and public good do not now seem such inseparable friends as they appeared a century ago. Criticism is developing along two lines. Firstly, the existence in one industry of a number of different authorities, each

attempting to secure the prizes for itself, leads to waste and inefficiency. Secondly, the attempt to eliminate this waste has led to the development of the trust, controlling industry and trade in its own interests, and the trust, it is maintained, is a public danger ; not only, or primarily, because it pays it to restrict the supplies of goods, but because of its immense social and political power.

The first point can be illustrated best by the railways and mines. From their beginnings railways have tended to drop their competitive characteristics and to become monopolies of particular areas. They have, therefore, always been subject to special State regulation. The greatest expense incurred by a railway company is in the laying down of its fixed stock. Cuttings and embankments must be made, lines laid down and stations built, before any traffic can be handled, and these expenses—for maintenance, depreciation and renewal—continue, however little the railway is used. A duplication of this initial expenditure would result in ruin. But although these facts had led to a large number of amalgamations and working agreements, the number of separate British railway companies before the war was 120. The waste occasioned by this competition and overlapping is evident. Trades continually complain of the high railway charges. The price of foodstuffs is increased out of measure between leaving the grower and reaching the consumer. In some cases it pays the owner to throw away perishable goods rather than pay the heavy transport charges to have them conveyed to market. Since January,

1923, the various companies have been forced by law to group themselves into four big amalgamations, and all the chairmen of the hitherto separate concerns have foretold great economies by the elimination of competition. But this is only one step in the right direction. These four combines are still competing with one another; and as they are still in private hands, they are only willing to perform services on which they can make a profit. But transport is altogether too important a part of the life of society to depend on anything so narrow and unreliable as private interest. On a quick, cheap and efficient transport depends not only the development of a more profound communal spirit, but the full utilization of all the resources of the country. The Government of the last century, imbued with *laissez-faire* ideas, prevented the railways from acquiring the canals, in the hope that the competition of each would check the other's power of exploiting the community. The only result was to leave the canals derelict. If advantage is now to be taken of all opportunities for economy, it is essential that the transport system be standardized and co-ordinated. By working railways and canals as one system the overhead charges of each could be greatly reduced, canals being used for bulky goods not requiring quick delivery, the railways for those in which speed of transit is essential.

The mines even more clearly than the railways show the extravagance of unco-ordinated enterprise. There are, at present, about 4,000 owners of mineral rights and about 1,500 companies or individuals

who own coal-pits. In consequence, huge barriers of coal are left unworked between the differently owned areas, and millions of tons are thus wasted. Drainage and pumping are carried on by each pit separately, at great expense, instead of economically over a whole area. Some mines are too poor to repay working when in competition with richer collieries. In others the lack of capital or of good management, or both, adds greatly to the danger to the miner, and prevents the development of coal-fields to the best advantage. It is only through unification of control that the coal mines can be worked efficiently; but this does not necessarily imply public ownership and management. This further step is necessary because of the important place held by coal in the national economy. Practically every industry depends ultimately on coal; and it is, therefore, in the power of those who control the output and selling-price of that commodity to hold up the rest of industry at their pleasure. Such a power is too great to be vested in a private corporation to be used to further private interests. Efficiency and safety can be obtained only by nationalization.

Most big industries have begun to realize the economies of combination, and the unprecedented growth of trusts is the result. The problem here is not how to make more efficient the processes of production, but how to ensure that the benefits of unified control shall be passed on to the community. The difficulty to be solved is the forging of an effective check on the power of these "States within

the State," which are enabled through their control of capital to wield a dangerous political power. To attempt to do so either by fixing prices or limiting profits is impracticable, whilst public opinion can be relied upon only sporadically.<sup>1</sup>

A trustified industry must necessarily be one in which the period of experiment is passed, and in which a very high degree of standardization is possible. For, since the extent to which one personality can impress itself is limited, an industry which relies greatly on the individuality of the entrepreneurs must be carried on by a number of small firms. If an industry is routinized and already under unified control, it is obviously ripe for nationalization.

Nationalization is one of those unfortunate words which is used by different people to signify quite different policies. Actually, it means simply "public ownership," and has no reference to any particular method of management. A nationalized industry might be run by a Department of State, as is the Post Office, or it might be given over to the full authority of those engaged in the industry, or it might be administered in any way between these two. Neither extreme is likely or advisable. The workers' demand for a change of status will not be satisfied by the simple process of exchanging one master for another—a Government department for a Board of Directors. Any scheme of nationalization must therefore allow a large measure of workers' control. Bureaucratic government is hated and

<sup>1</sup> See above, Chapter II.

feared just as much by those who support nationalization of industry as it is by the critics who cannot realize that State ownership can have any other meaning than management from Whitehall. Democratic government has been tried long enough to show both its strength and its limitations. It seems natural, at first, to think that the organized community is the proper authority to control industries run in its service. But a Government is elected on a broad political programme, of which the policy of a particular industry would be but one item. Moreover, although the workers of the industry are represented in the Government, they are so only as general citizens. Yet their interests in the industry are much nearer and more vital than those of the rest of the community. The wages to be paid, the hours and conditions of work, the whole policy to be pursued, are in the final analysis the concern of all citizens, but they touch those engaged in the industry in a manner peculiar to them. The latter have not only a special point of view, but can offer the fruits of their experience and their craft knowledge for the greater efficiency of the service.

On the other hand, to give to those engaged in the industry full control over its policy would be equally unjust, and possibly disastrous. For the industry is being carried on for the benefit of the community, and the public must, therefore, retain the right to decide the quantity and type of goods to be supplied. The exercise of full authority might tempt the members of the industry to form themselves into a close corporation (on the model of the

modern trust), and to use their position to exploit the rest of the community.

Mr. Justice Sankey, Chairman of the Coal Industry Commission, 1919, in his report recommending the nationalization of the mines, suggested a three-fold basis for their administration. He proposed a system of Pit Councils, District Councils and National Council, each made up of representatives of miners, of the technical and commercial side, and of the community, in equal numbers. It must not be assumed, however, that this would necessarily be a suitable method for all nationalized industries. The constitution must vary according to the nature of the industry. Coal-mining is naturally a highly localized industry, in which each district may require its own manner of working. A strong "local government" is therefore an essential to right development. Transport, on the other hand, should be a unified service, relying on co-ordination for efficiency—and a more centralized control of policy would probably be beneficial. It is not necessary to fit all industries into an official mould. The important thing is that industries which for various reasons, economic or social, have been acquired by the nation, should be run in a manner best calculated to serve the public interest.

It is often argued that, although socially it might be advisable for the State to run certain industries, such a venture would be impracticable. Two main reasons are generally urged in support of this statement. Firstly, it is said that State ownership is inefficient because no incentive is given to men to

work their best. Men work for the sake of gain, and if there is no chance for them to acquire fortunes, those with initiative and enterprise will use these qualities in industries not under public control—leaving only the dullards at the service of the nationalized industries. Secondly, the burden on the central Government is already so great that to add to it the administration of industry must, it is felt, ~~lower~~ the standard of all their work.

An analysis of the organization of industry has already shown that industries may be divided roughly into two classes : (a) those in which a quick response to changing demands and new methods of production is essential ; (b) those in which the experimental stage is passed and in which methods have been largely routinized. Big joint-stock companies and great combines are found in the second class, and it is certain of these that it is proposed should be nationalized. Already there is little chance for the majority of those employed in them to do anything but carry out the policy decided by those in authority. The main part of the organizing work of such firms is done by salaried officials who have little incentive of personal gain except, perhaps, the negative one, fear of dismissal. The great economies of large-scale production can be obtained only by standardization which requires honest, steady administration, rather than the control of an adventurous spirit.

It must, too, be admitted that one speaks of the " brains of industry " in rather the same uncritical spirit in which one assesses the wealth it produces,



i.e. without relation to the purpose served. One therefore assumes that if these brains are not available in the service of nationalized industry, there will inevitably be great national loss. But a large proportion of the brain work of private industry is definitely anti-social. It is engaged not in making its industry the best conducted in the world, in providing the community with its goods at the lowest possible price, but in attempting to get concessions, to kill rivals (both actually and metaphorically), and to hoodwink the public so as to have better opportunities for amassing private fortunes. Nothing but good can come of narrowing the sphere of activity of such brains.

Moreover, there is no guarantee that in private industry the best brains are attracted, or do actually have a chance to come to the top. Here and there, an individual pushes himself to the front by sheer ability, but his sons fill a place already won for them, without having to prove their capacity for the work. Millions of those with brains have no chance to train them. And many who, repelled by the creed of commercial greed, already use their ability in the pursuit of knowledge and beauty, would gladly give themselves to the public service. One has only to look around to see that industry, at present, has not the best brains in its employ. The ignorance and inefficiency of business men have become notorious. Science is disregarded even when of immense commercial value. Education is looked upon as a luxury for those who can afford to pay for it. New opportunities are lost through

conservative methods. Those misnamed "entrepreneurs" who chant in chorus the necessity for directive ability in industry—and scoff at the notion of "production for social service"—are the very ones whose gross mismanagement is continually being exposed. It took a whole series of Factory Acts to show the manufacturers that it is more profitable to employ men and women for short hours and in good conditions. It took an insistence on minimum wages for sweated workers to force the employers of those 3,000,000 men and women to change their extravagant methods and reorganize their firms on an economic basis. An impartial commission shows the coal industry under private enterprise to be a welter of chaos. Private enterprise has evidently not attracted sufficient brains to agriculture, and to the building industry.

The argument against nationalization on the score of the heavy burden placed on the shoulders of Government has more weight behind it. The growth of the functions of the State has created a volume of work which can never be effectively executed by one body. The modern State has grown too big for its old framework and must stretch in new directions. Already the line of development is clearly marked. The Parliament of the future will have to confine itself more to matters definitely political, and, while maintaining supreme authority, make room for an economic body acting in an advisory capacity. Such an authority has already had shadowy existence in the Industrial Council, representatives of employers, employed and the com-

munity, called in 1911 and again after the war to investigate economic conditions and advise the Government. The Whitley Councils, too, are portents of this development. Formed to act as Industrial Parliaments, they are recognized as the proper spokesmen for their industries, and are called upon to advise the Government, when matters concerning their interests are under discussion. The establishment of a new Industrial or Economic Council, built on the foundations of already existing voluntary associations, and representative of all grades of producers and consumers, would prove not only a much more efficient body for the discussion of industrial policy, but would also relieve the central authority of a vast amount of detailed, yet necessary, work.

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